To: Financial Aid Administrators, Business Officers, Lenders, Guaranty Agencies, Third-party Servicers, and Software Vendors

From: Greg Woods, Chief Operating Officer, Office of Student Financial Assistance Programs

Subject: Invitation to Comment on Draft Year 2000 Contingency Plan Options

We in the Department of Education are giving our data systems Year 2000 (Y2K) readiness our highest priority. We are confident that our systems will be fully compliant. Nevertheless, we are devoting substantial effort to developing contingency plans for maintaining services in the event our best efforts fall short. Having responsibility for providing the means by which millions of Americans pursue a postsecondary education demands nothing less.

The Office of Student Financial Assistance Programs (OSFAP) has completed the initial business impact analysis phase of contingency planning. We have analyzed our mission critical business processes and identified data exchanges where possible Y2K failures could occur. These data exchanges include exchanges between Department of Education systems, with our student financial aid community partners, such as schools, lenders, and guaranty agencies, as well as with other government agencies. From this analysis, we have developed possible risk mitigation and contingency plan options that may be implemented in the case of a Y2K failure.

The "Business Continuity and Contingency Planning for Year 2000" draft report is attached for your review. This document was prepared according the Government Accounting Office's guidelines in its publication "Year 2000 Computing Crisis: Business Continuity and Contingency Planning."

In addition to this posting, the OSFAP has conducted a focus group of student financial aid community partners to obtain feedback on the proposed contingency plan options in our draft report. We have also presented these options at several professional forums and conferences.

We ask your assistance in reviewing the risk mitigation and contingency plan options to be implemented in the case of a Y2K failure that are presented in the attached document. Since the delivery of student financial aid to students is dependent on the total student financial aid community, we ask that you review these options and submit your comments and suggestions to the OSFAP Y2K contingency planning staff by e-mail (sfay2k@ed.gov). You may also contact directly the Contingency Planning Director: Mary Haldane, Director, Student Financial Aid Contingency Planning, Room 3060, ROB – 3, U.S. Department of Education, 7th and D Streets, S.W., Washington, D.C. 20202.

We look forward to continuing our collaborations with you as we develop and test our contingency plans.

U.S. Department of Education
Office of Student Financial Aid Programs:

Business Continuity and Contingency Planning for Year 2000

February 5, 1999
Draft – For Discussion Purposes Only

Introduction

Over the last year, the Department of Education (ED) and the Office of Student Financial Assistance Programs (OSFAP) have made the renovation of data systems to address Year 2000 (Y2K) computer bug problems a top management priority. At present, 13 of the 14 "mission critical" ED systems that support the OSFAP student aid programs have been fully renovated, validated, and implemented, and end-to-end testing with our data exchange partners is well underway. The Department is confident that all system renovations will be fully implemented by March 31, 1999, and that there will be a relatively low risk of serious date-related problems as we move into the year 2000.

Nonetheless, several basic facts compelled the Department to establish a strong Student Financial Assistance Business Continuity and Contingency Planning (BCCP) effort. First, student aid delivery and administration have become increasingly computer-dependent. Second, ED's data systems and programs are highly complex and reliant on the use of dates. Third, our systems and processes are highly dependent on data exchanges with business partners (other federal agencies, postsecondary institutions, banks, and guaranty agencies) whose Y2K renovation efforts are beyond our control.

Fourth, a great deal is at stake. In fiscal year 2000 nearly nine million students will apply for and receive student financial aid, authorized under title IV of the Higher Education Act, totaling over $50 billion. Any disruption in the delivery of aid or any damage to the integrity of student aid data records could seriously harm the nation's postsecondary students and educational institutions as well as the interests of taxpayers.

Last but not least, several committees of Congress, the General Accounting Office, the Office of Management and Budget, and our partners in the postsecondary community all appropriately expect that we take year Y2K contingency planning very seriously.

This document is, in effect, a report to our student aid business partners and to interested oversight groups concerning the "findings" to date of our Student Financial Assistance BCCP project. These findings include the identification of: eight core business processes and numerous key sub-processes, normal and emergency levels of performance, potential failure scenarios, and a variety of risk mitigation strategies and contingency plans addressing potential failures.

It should be clearly understood that all references herein to potential Department contingency plans and risk mitigation strategies are very preliminary and are offered at this time solely for discussion purposes. As yet, no decisions have been made regarding which options will be pursued by the Department.

Before proceeding, we should also make it clear that student financial assistance contingency planning is an inherently and necessarily collaborative activity and one that requires a high degree of cooperation, communication, and mutual understanding among business partners. This document and the related focus groups and other planned outreach activities are simply the first steps in a collaborative process that will require many months of effort.

Finally, we must emphasize that, from the perspectives of postsecondary institutions and other OSFAP business partners, there are two essential means of mitigating the risk of Y2K data system problems. Both are entirely outside the control and responsibility of the Department of Education. First, an institution's own data systems must be thoroughly assessed, renovated, and tested for Y2K compliance. Second, an institution should establish its own thorough business continuity and contingency planning process. (Information about institutional Y2K renovation and contingency planning can be found in the "Year 2000 Readiness Kit" provided in the Appendix of this notebook.)

Project Structure -- Using GAO Guidelines

In developing its BCCP, the OSFAP is following guidelines established by the General Accounting Office in it publication entitled *Year 2000 Computing Crisis: Business Continuity and Contingency Planning.*[1] This guide provides a logical and structured approach for developing and implementing plans continuing for business operations in the event of Y2K system failures. Business continuity in a Y2K crisis entails using different means of performing core business functions in a Y2K emergency. Such "contingency plans" may utilize manual or partially automated procedures. Planning for business continuity may also utilize "risk mitigation" strategies such as doing things earlier than normal or reverting to emergency (slower than normal) performance levels.

The GAO guide, which has been recommended for use by all federal agencies, divides the planning process into four phases:

- Initiation,
- Business Impact Analysis,
- Contingency Planning, and
- Testing.

Initiation

The objectives for this phase were to organize a project team, create a high-level project plan, raise awareness of the importance of the project at all levels of the organization, and secure commitments from senior management for the resources necessary to get the job done.

> *The Initiation Phase was completed in September 1998. In this phase, the OSFAP:*

(1) **Established a Y2K Contingency Planning Core Team.**

The Core Team is headed by the Year 2000 Student Aid Contingency Planning Director and includes two other ED professionals with broad knowledge of student financial aid programs. For the duration of the project, the Core Team's only responsibilities will be related to Y2K contingency planning.

(2) **Identified Eight Core Business Processes.**

A core business process is a related set of activities directed toward a single goal that is fundamental to the mission of the organization. A core process may or may not be managed by a single division of the organization. In fact, most of the core processes

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[1] General Accounting Office: Accounting and Information Management Division; August 1998.

identified for this project cross divisional lines. OSFAP officials identified eight core business processes and their goals as follows:

- **Student Aid Application and Eligibility Determination**

    Business Process Goals:

    The goal of the process is to enable students to apply for federal and other types of financial aid. The goal is also to determine eligibility and calculate the expected family contribution (EFC) and to report the results to the applicant and, as authorized by the applicant, schools, and others. These goals need to be accomplished in a timely manner to ensure student access and choice to postsecondary education.

- **Student Aid Origination and Disbursement**

    Business Process Goals:

    The goal of this process is to perform all of the activities necessary to support aid origination and, to provide in a timely manner title IV program funds to students, their parents and eligible borrowers that qualify for those funds, to help pay for their educational expenses.

- **Student Enrollment Tracking and Reporting**

    Business Process Goals:

    The Student Enrollment Tracking and Reporting process helps ensure that loans enter repayment on time, that interest benefits on subsidized loans are paid correctly, and that lenders and servicers have the information they need to process deferments.

- **Guarantor and Lender Payments**

    Business Process Goals:

    ED must make accurate and timely payments to guarantors and lenders as required by law. ED must also obtain and maintain appropriate data and records in support of these payments.

- **Repayment and Collection**

    Business Process Goals:

    The goal of this business process is to facilitate on-time student loan repayment, to minimize the incidence of default, and to facilitate the collection of defaulted student loans and other obligations (e.g. overpayments of grant aid).

- **Institutional Eligibility and Certification**

  Business Process Goals:

  The goal of this process is to ensure that participating schools have the authority to operate in the state, are accredited, and administer the programs properly. ED monitors the conduct of schools participating in the program by reviewing application data, audited financial statements, compliance audits, and by conducting program reviews.

- **Customer Service and Communication**

  Business Process Goals:

  OSFAP customers and partners must receive timely and adequate information to enable them to participate in the application and disbursement processes for federal student aid. In addition, participating schools must have access to ED's electronic systems for sharing application data and payment information.

- **FFELP Origination, Disbursement, Repayment, and Collection**

  Business Process Goals:

  The primary goal in this area is to ensure that student and parent borrowers have continued access to Federal Family Education Loan Program (FFELP) loans. ED is also interested in ensuring that FFELP loan servicing, including the ability of borrowers to make payments as scheduled, is not interrupted. In order to protect taxpayer and borrower interests, it is also critical that guarantor functions, including maintenance of borrower records and collection efforts on defaulted borrower accounts are not interrupted.

(3) **Identified Project Teams and Named Team Leaders for All Core Business Processes.**

OSFAP officials assembled teams of experienced ED staff to examine each core process. The teams include members not only from the functional areas that manage each core process, but also from policy, financial, systems, and legal support areas (OSFAP Policy, the Office of the General Counsel, the Office of the Inspector General, and the Office of the Chief Financial Officer / Chief Information Officer). All teams are chaired by Team Leaders who are senior managers within the OSFAP. They have ultimate responsibility for developing the teams' contingency plans.

(4) **Hired a Management Consultant Contractor.**

KPMG, a firm with experience in business continuity planning and in support of OSFAP system improvements, was hired to facilitate team meetings, develop documents, and provide substantive analysis and management advice on student aid contingency planning.

(5) **Developed a High-Level Project Plan.**

OSFAP developed a project plan that identified responsibilities of the team leaders and their teams, as well as target dates for meetings, presentations, deliverables, and milestones for the completion of project phases.

Business Impact Analysis

The primary objectives of this phase were to analyze current business processes and data system dependencies, to identify potential sources of system failures, and to assess the impact of such failures.

The phase ran from early October through December 1998. In this phase, OSFAP teams:

(1) **Defined Current Processes and Dependencies.**

Each project team compiled information on current processes and sub-processes to document process workflows, staffing levels, system dependencies, and performance statistics. They also defined, for each core process and critical sub-process, current or "normal" standards of performance and minimum levels of service, also known as "emergency levels of performance", which would be acceptable in a Y2K emergency.

(2) **Identified Potential Failure Scenarios.**

Each team described possible sources of system failure that would affect their core process and critical sub-processes, and, for each potential failure, the earliest date it could occur.

(3) **Analyzed the Risks of Potential System Failure.**

Each team further analyzed its core processes and sub-processes to describe in detail the business results of system failures and their impacts on current levels of service. The project teams established a Priority Rating for each failure risk. The Priority Rating has two components. The business impact of each risk is an assessment of how each risk event or condition would degrade current service levels. The risk rating is an assessment of the probability of the risk occurring. The component ratings were combined to produce a Priority Rating of high, medium, or low. The Priority Rating will be used for allocating resources for the development, testing, and implementation of contingency plans. (Note: Materials documenting this stage will be contained in an appendix to the BCCP's final report.)

(4) **Developed Contingency Planning Matrices.**

Each project team developed a matrix that records, for each risk in each sub-process, the:

- failure source
- threat/failure scenario
- impact/end result
- earliest failure date
- business priority rating
- high level risk mitigation options, and
- high-level contingency options.

The matrix enables the project teams and Core Team to better grasp the interrelation of processes and their risks, and the opportunities for common solutions to multiple risks. (Note: Materials documenting this stage will be contained in an appendix to the BCCP's final report.)

Contingency Planning

The objectives for this phase are to define and document mitigation and contingency options, identify necessary regulatory and legislative waivers, estimate the cost of each options, and establish a business resumption team for each core process.

OSFAP has divided this phase into two sub-phases. High-Level Contingency Planning occurred in December 1998 and January 1999. Detailed Contingency Planning will begin February 1999 and is expected to end in early March.

In the first sub-phase – High-Level Contingency Planning – OSFAP teams:

(1) **Identified Risk Mitigation and Contingency Options.**

There is a distinction between mitigation and contingency options. A mitigation option is a pre-emptive action that is intended to eliminate, reduce, or delay a risk. A contingency option is a reaction to a failure that has occurred and is designed to eliminate or reduce its impact. In this sub-phase, the project teams developed possible high level mitigation and contingency options.

(2) **Developed High-Level Contingency Plans.**

The teams documented their proposed solutions in their Contingency Planning Matrices and drafted high-level narratives of proposed actions.

(3) **Will Conduct Focus Groups and Outreach Efforts.**

The OSFAP is holding focus groups and will publish this report on the ED web-site in order to obtain comments and advice from business partners and the public concerning the business process analysis and the preliminary risk mitigation and contingency options that have been identified.

In the second sub-phase – Detailed Contingency Planning – OSFAP teams:

(4) **Will Develop Detailed Contingency Plans.**

Following the focus groups and web solicitation of comments, a Detailed Contingency Plan will be developed. This document will describe:

- **Detailed mitigating and contingency options including regulatory and legislative waivers,**
- **Specific implementation tasks,**
- **Cost estimates,**
- **Staffing requirements (including skills assessments),**
- **Resumption team members responsibilities,**
- **Triggering events, and**
- **Test plans for all mitigation and contingency scenarios.**

(5) **Will Identify "Business Process Owners" and Business Resumption Teams.**

"Business process owners" will be identified. They will be responsible for implementing risk mitigation and contingency plans. Also, "business process resumption teams" (composed of "process owners", contingency planning teams, and data system personnel) will be identified. Close coordination among these individuals will be essential.

Testing

Under this phase, OSFAP will validate contingency plans through testing and additional communication with student aid community partners and will rehearse business resumption teams.

The timeframes for this phase will not be established until Detailed Contingency Plans are completed and will vary by sub-process.

In the *Testing* phase, OSFAP will:

- **Prepare for and execute test plans,**

Each business process resumption team will test the plans developed in the Detailed Contingency Planning sub-phase. In cases where a full-scale test may be too costly, the team may consider end-to-end testing of key plan components.

- Revise contingency plans on the basis of testing and consultation with community partners, and

- Monitor, review, and report test results.

The following eight sections correspond to the eight student aid business processes and contingency planning teams, and they constitute the body of our interim report on student aid Business Continuity and Contingency Planning. The Office of Student Financial Assistance Programs Y2K Contingency Planning teams would appreciate your comments.

STUDENT AID APPLICATION AND ELIGIBILITY DETERMINATION

EXECUTIVE SUMMARY

The application and eligibility process determines overall student eligibility for financial aid and its preservation in a Y2K emergency is essential to the OSFAP mission of providing access and choice to postsecondary education. All other OSFAP processes depend on this critical first step. Because the process for financial aid application, calculation of eligibility, and notification of results to applicants and institutions is centralized and automated, it is especially vulnerable to Y2K problems. While the application process is automated and the Department is encouraging the use of electronic applications, approximately 80 percent of the some 10 million annual student aid applicants choose to apply for financial aid using the paper application. Four key sub-processes support this critical application and eligibility process: application for financial aid, data matches for financial aid eligibility, calculation of the effective family contribution (EFC) for financial aid eligibility, and reporting of results.

To mitigate any failures in the determination of eligibility or reporting of results, ED will encourage and allow for filing for financial aid prior to January 1, 2000. Since several methods currently exist for applying for financial aid (paper, FAFSA applications on the Web, FAFSA Express, and EDExpress) as well as for calculating EFCs and notifying applicants and recipients of the results, ED's contingency planning will emphasize the capacity to shift volume among the alternative methods.

NOTE: The Department of Education has not made decisions about specific business process continuity / contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

The U. S. Department of Education's Office of Student Financial Assistance Programs (OSFAP) provides a full range of services and support services to students, families and schools for administering student financial assistance programs. At the core of these services is the process for determining need and eligibility for federal student financial assistance. The results of the process are used throughout the delivery of financial aid, including schools' packaging of federal, state and institutional aid. States also commonly use the results of this process in their determination of state-based student aid.

Annually, over 10 million students and families use this process to establish financial need and eligibility for federal, school, and state student financial

assistance programs. The application for federal student financial assistance is the Free Application for Federal Student Aid (FAFSA). Generally, the information needed to establish need are income, assets, student dependency status, and number of household members attending postsecondary institutions. In addition, data concerning citizenship status, participation or status in other federal assistance or entitlement programs is examined to determine eligibility for the title IV programs.

BUSINESS PROCESS GOAL

The goal of the process is to enable students to apply for federal and other types of financial aid. The goal is also to determine eligibility and calculate the expected family contribution (EFC) and to report the results to the applicant and, as authorized by the applicant, schools, and others. These goals need to be accomplished in a timely manner to ensure student access and choice to postsecondary education.

BUSINESS PROCESS DESCRIPTION

The Student Aid Application and Eligibility Determination Process consists of the following general activities:

1. Students apply for federal and other student aid (state and school-based) by completing the paper form of the FAFSA or various electronic versions (EDExpress, FAFSA Express, and FAFSA on the Web).

2. The MDE receives paper FAFSAs and corrections to FAFSAs. These are scanned in an automated process that captures data and an image of the application, which are transmitted electronically to the CPS.

3. Electronic FAFSA applications are transmitted directly to the CPS.

4. The CPS matches applicant information against several data stores to determine if the applicant meets certain specified eligibility requirements (i.e., registered with the Selective Service, not in default on a federal student loan, etc.). The matches are conducted with :

   - Department of Veterans Affairs (VA)
   - Immigration and Naturalization Service (INS)
   - Social Security Administration (SSA)
   - Selective Service System (SSS)
   - Department of Justice (DOJ)
   - National Student Loan Data System (NSLDS)

5. The CPS contains a variety of authentication and validation tests against applicant data to ensure that they are internally consistent and within normal ranges. If there are missing data elements or range violations, the CPS generates a request for corrections or additional information. In addition, the CPS randomly selects some applications for verification by the schools. In this process, information from the documents provided to the school by the student or parent is matched against the data on the application.

6. The CPS calculates the EFC that is used to determine the student's need for financial aid.

7. The application processing results are sent to the applicant via a paper report known as the Student Aid Report (SAR).

8. Electronic transmissions of applicant data are sent to all eligible schools that the student indicated on the application. The electronic transmission file is commonly known as the Institutional Student Information Report (ISIR).

9. Each November, the CPS creates a master file of applicant records from the FAFSAs that it has processed in the past year. The CPS segments this file by school and sends each school a list of potential renewal applicants. The school selects applicants from the file, notifies them of the need to complete a Renewal FAFSA, and prepares a form (either paper or electronic) for the applicant to complete. For applicants not selected by a school, the CPS will print and send to them a paper Renewal FAFSA.

BUSINESS IMPACT ANALYSIS

Application Processing Sub-process

Failure Scenarios

The MDE (paper application processor) cannot provide data to the CPS.

The paper application data cannot be received and processed by CPS because of a failure of the MDE. Eighty percent of the application data to the CPS is through the MDE process.

Time Horizon to Failure

Failures could occur as early as January 1, 2000.

Normal Performance Levels

It takes 7 business days from the day the MDE receives the paper application for the data to be sent to CPS and 5 business days for paper corrections.

Emergency Performance Levels

The emergency performance levels for applications to be sent by the MDE to the CPS are 2 ½ weeks and 2 weeks for corrections.

Performance Level Comparison – Application Processing

Normal Performance Level	Emergency Performance Level
MDE to CPS: 7 business days for applications 5 business days for corrections	2 ½ weeks 2 weeks

Risk Mitigation Options

A. **Use other application methods.** To mitigate the risk of paper FAFSAs not being received and processed, ED would encourage the use of alternative electronic application methods e.g., FAFSA Express, FAFSA on the Web, and EDExpress. ED would assure these methods, taken as a whole, have the capacity to process the number of applications that are processed by the MDE.

Pros and Cons – Application Processing

Pros	Cons
The electronic methods of application submission are currently in production and are viable methods of application processing. Less errors in electronic vs. paper because of editing process.	1. Significant increases in electronic processes may be difficult to achieve. While ED has made a concerted effort to encourage the use of the electronic application methods, currently paper applications comprise 80% of all applications submitted each year. • The alternative electronic processes are not as well known as the paper application. • Electronic processes, unlike paper processes, require access to data processing equipment and therefore may not be available to all applicants. • This option relies on electronic processes that are subject to Y2K failures.

Contingency Options

A. **Use other application methods**. If the MDE cannot process paper applications, the currently existing Alternate Data Entry (ADE) processor would continue to process the paper applications, and other electronic methods of application would be used to capture the data and send to CPS.

Pros and Cons—Application Processing

Pros	Cons
1. The electronic methods of application submission are currently in production and are viable methods of application processing. 2. The ADE process is available to continue to process paper applications.	1. Significant increases in electronic processes may be difficult to achieve. While ED has made a concerted effort to encourage the use of the electronic application methods, currently paper applications comprise 80% of all applications submitted each year. 2. The alternative electronic processes are not as generally well known as the paper application. 3. Electronic processes, unlike paper processes, require an applicant's access to data processing equipment and, therefore, may not be available to all applicants. 4. This option relies on electronic processes that are subject to Y2K failures. 5. There is no simple or certain method to inform applicants that they should file in an alternative method after a failure occurs.

Eligibility Determination Sub-process

Failure Scenarios

The CPS cannot perform eligibility matches with other agencies.

The eligibility of students for title IV aid cannot be verified with computer matches. This could result in some ineligible applicants receiving federal funds and later being required to pay overawarded amounts.

Time Horizon to Failure

Failures could occur as early as January 1, 2000.

Normal Performance Levels

It takes no more than 72 hours from the date the data is received by CPS until CPS finishes processing it.

Emergency Performance Levels

None defined. The current practice, in the event of inability to conduct matches, CPS would continue to process applications. When the CPS matches are fixed, the applications are reprocessed to include the data matches.

Performance Levels Comparison – Eligibility Determination

Normal Performance Level	Emergency Performance Level
CPS processing (from time that CPS receives the data)– no more than 72 hours.	None Defined.

Risk Mitigation Options

A. **Allow early application filing to avoid a matching problem.** To mitigate the risk that the CPS would not be able to match data with other agencies in order to determine eligibility, ED would allow applicants to file for the 2000-2001 academic year prior to January 1, 2000.

(Note: Currently, applicants for the upcoming academic year are not allowed to file before January 1).

Pros and Cons – Eligibility Determination

Pros	Cons
1. Early filing would allow for processing of a limited number of applications if a failure were to occur in January 2000.	1. In this mitigation option, all income information would be estimated and could change requiring resolution. 2. Early filing requires the 2000 – 2001 academic year systems to be put on a rapid development schedule and would necessitate informing high schools and postsecondary institutions of these changes much earlier than usual. 3. An HEA change or waiver of enforcement would be required.

B. **Encourage applicants to file early for the 1999 – 2000 award year.** To mitigate the risk that the CPS would not be able to match data with other agencies in order to determine eligibility, ED would encourage students who are applying for financial aid for the Winter and Spring terms to apply prior to January 1, 2000.

Pros and Cons – Eligibility Determination

Pros	Cons
1. Early filing does not require systems changes or alterations of the associated business processes.	1. Early filing only addresses those applicants filing for financial aid for the 1999-2000 award year.

Contingency Options

None.

Expected Family Contribution Calculation Sub-process

Failure Scenarios

The CPS cannot produce an EFC or a correct EFC calculation.

Without a correct EFC, packaging of student financial aid cannot continue. This affects all the output to applicants, schools, other ED systems, states, and private providers of student financial aid. If an EFC cannot be produced, students who demonstrate need may not receive needed aid. Currently, a series of quality control checks are made against the CPS EFC calculation to verify the calculation has produced a correct calculation.

Time Horizon to Failure

Failures could occur as early as January 1, 2000.

Normal Performance Levels

It takes no more than 72 hours from the time data is received by the CPS until the CPS finishes processing it.

Emergency Performance Levels

The emergency performance level is tied to the time of the failure and the academic year for which the application is intended, as shown in the following table:

For failures occur on:	**1999-2000**	**2000-2001**
1. 1/3/2000 to 1/31	2 weeks	3 weeks
2. 2/1 – 2/29	1 week	3 weeks
3. Early March 2000 (on or after)	1 week	1 week

Performance Levels Comparison – EFC Calculation

Normal Performance Level	Emergency Performance Level		
CPS processing (from time that CPS receives the data)– 72 hours	EFC calculation produce significantly inaccurate results		
	1. 1/3/2000 to 1/31	**1999-2000** 2 weeks	**2000-2001** 3 weeks
	2. 2/1 – 2/29	1 week	3 weeks
	3. Early March 2000 (on or after)	1 week	1 week

Risk Mitigation Options

A. **Allow applicants to file early.** To mitigate the risk of the CPS not being able to calculate the EFC, ED would allow applicants to file for the academic year 1999 – 2000 prior to January 1, 2000.

Pros and Cons – EFC Calculation

Pros	Cons
1. This early application would allow for processing of a limited number of applications if a failure were to occur in January 2000.	1. In this mitigation option, all income information would be estimated and could change producing less accurate awards.
	2. Early filing requires the 2000 – 2001 academic year system to be put on a rapid development schedule and would necessitate informing high schools and postsecondary institutions of these changes much earlier than usual.
	3. An HEA change or waiver of enforcement would be required.

B. **Encourage applicants to file early for the 1999 – 2000 award year.**
To mitigate the risk of the CPS' inability to calculate EFC, ED would
encourage students who are applying for financial aid for the Winter
and Spring terms to apply prior to January 1, 2000.

Pros and Cons – EFC Calculation

Pros	Cons
1. Early filing does not require systems changes or alterations of the associated business processes.	1. Early filing only addresses those applicants that are entering school for the 1999-2000 award year.

Contingency Options

A. **Use alternative software.** If CPS cannot calculate an EFC, ED would
use alternative EFC calculation software that would run on the CPS
platform and function with all of the CPS support services (e.g.,
production of SARs).

Pros and Cons – EFC Calculation

Pros	Cons
1. If there is a Y2K failure with the CPS' EFC software program, an alternative independently written software program may not have the same Y2K problems.	1. Using alternative software assumes that it too would not experience similar or different Y2K problems. 2. In previous years, other processors developed EFC calculators for the purpose of early packaging of student aid for their school clients. The development of these calculations took at least three months to complete on a yearly ongoing basis. An alternative EFC software calculation would need to seamlessly function with the other supporting functions of the CPS. This would require that it be tested with all of the inputs and outputs of the CPS. 3. A large additional cost (possibly as large as the CPS contract) would be incurred for a system that may never be used.

B. **Use ED's estimated EFC calculation softwares.** If an EFC cannot be calculated by CPS, ED would encourage applicants to use FAFSA On The Web or EDExpress which would supply an estimated EFC that could be used for packaging.

Pros and Cons – EFC Calculation

Pros	Cons
1. This application and EFC calculation software is already functional and proven. 2. ED already encourages these processes as an application method to estimate an EFC for early financial planning.	1. The use of FAFSA On The Web and EDExpress for EFC purposes in a failure may strain server and communication capacities handling the increasing volumes. 2. Because the data matches for eligibility are not preformed in these software applications, further processing may be required after the failure is resolved, to determine if the applicant is eligible to receive federal assistance. 3. The alternative electronic processes are not as generally well known as the paper application. 4. Electronic processes, unlike paper processes, require an applicant's access to data processing equipment and therefore may not be available to all applicants. 5. This option relies on electronic processes that are subject to Y2K failures. 6. There is no simple or certain method to inform applicants that they should file in an alternative method after a failure occurs. 7. An HEA change or waiver of enforcement would be required.

C. **Use a previous year's EFC calculation.** If an EFC cannot be calculated by CPS, for returning students, ED would allow the schools to use the previous academic year's EFC calculation for packaging 2000-2001 students and payment for 1999-2000 students.

Pros and Cons – EFC calculation

Pros	Cons
1. Allows 1999-2000 academic year applicants who have a previous EFC for the winter/spring terms to be packaged for the 2000 –2001 academic year. 2. Typically, aggregate from year to year, EFCs change minimally.	1. While there may not be much change in the aggregate, individual applicant's EFC's may have significant changes. 2. First-time applicants would not be able to use last year's EFC calculation. These applicants are generally in the greatest need of initial and timely packaging. 3. The use of prior year's income calculation was proposed as part of HEA reauthorization and rejected by the Congress. 4. An HEA change or waiver of enforcement would be required.

D. **Schools calculate EFCs.** If the CPS cannot calculate an EFC, allow the school to calculate the EFC for the student.

Pros and Cons – EFC Calculation

Pros	Cons
1. Many schools currently calculate an EFC for early packaging purposes. The use of this EFC would represent little change for those institutions.	1. For many schools, this would be costly and burdensome. 2. In this contingency option, all eligibility matches would be self-reported and could require verification. 3. An HEA change or waiver of enforcement would be required.

E. **Establish and use an alternate CPS.** If in the event that CPS fails to produce EFCs, ED would use another servicer to produce the EFC. Other servicers that calculate EFCs already exist and do similar processes.

Pros and Cons – EFC Calculation

Pros	Cons
1. The centralized process would continue with little disruption to the applicants and the financial aid community.	1. An additional cost would be incurred by establish an alternate CPS. 2. Synchronizing data that has already been processed by the CPS with the standby CPS would be complex and prone to error. 3. Require that this alternate CPS be able to process both the 1999 – 2000 and the 2000 – 2001 award year applications, requiring the alternate CPS to be brought up fully tested and functioning in both award years. 4. Once the process is switched over to the alternate CPS, it may not be feasible to shift processing back to the original CPS. This may require additional costs greater than the cost of establish alternate processor.

Disseminating information (ISIR) to the financial aid community (e.g. institutions and their agents and states) Sub-process

Failure Scenarios

ISIRs cannot be sent to schools.

The CPS is unable to produce IRISs or schools are unable to receive ISIRs. Schools would not have timely EFCs or determination of eligibility for packaging aid. School systems that rely on electronic exchanges of data for awarding aid will be seriously affected. In many cases this is the first notification to schools that applicants are interested in attending their institution. Without this notification, schools would not be aware that applicants are eligible and requesting consideration for student financial aid.

Time Horizon to Failure

Failures could occur as early as January 1, 2000.

Normal Performance Levels

CPS is currently producing ISIR on a daily basis.

Emergency Performance Levels

The emergency performance level would be 3 weeks if the SAR is being sent to the student and 1 week if the both the ISIR and SAR are not functioning.

Performance Levels Comparison -- ISIRs

Normal Performance Level	Emergency Performance Level
Daily	3 weeks

Risk Mitigation Options

A. **Retransmit ISIRs to schools.** To mitigate the risk of CPS' inability to produce ISIRs or schools' inability to receive an ISIR, ED would maintain a copy of the last transmission of the school's records prior to a failure for the academic year of 1999 – 2000. This file could be retransmitted to the school if it was not received prior to the failure.

Pros and Cons -- ISIRs

Pros	Cons
1. Would allow for backup of data for those schools that have experienced a failure in the first few days of January 2000 for 1999 – 2000 academic year.	1. The majority of institutions do not receive large volumes of data at the very end and beginning of the calendar year due to traditional school holidays. Therefore, this would not significantly affect the overall failure.

B. **Encourage applicants to file early for the 1999 – 2000 award year.** To mitigate the risk of the CPS being unable to produce ISIRs, ED would encourage students who are applying for financial aid for the Winter and Spring terms to apply prior to January 1, 2000.

Pros and Cons – ISIRs

Pros	Cons
1. There would be no change in processing as a result of this mitigation option.	1. In this mitigation option, all income information would be estimated and could change requiring resolutions. 2. Early filing requires the 2000 – 2001 academic year systems to be put on a rapid development schedule and would necessitate informing high schools and postsecondary institutions of these changes much earlier than usual. An HEA change or waiver of enforcement would be required.

Contingency Options

A, **Send paper ISIRs or SAR.** If CPS is unable to produce ISIRs, ED would send the institutions paper ISIRs or SARs.

Pros and Cons -- ISIRs

Pros	Cons
1. The paper ISIR or SAR would allow the notification of the application results to institutions.	1. A paper replacement for an electronic file would not be feasible for medium to large institutions.
	2. The administrative burden would be costly to ED and the schools regardless of the size of the institution. The use of paper in place of an electronic file would add postage and paper costs.
	3. The shift to paper at schools could add an additional data entry process that may be more prone to error than an electronic notification.

B. **Use an electronic media other than data transmission for ISIRs.** If CPS is unable to produce ISIRs, ED would transmit ISIRs using other media e.g., cartridge.

Pros and Cons – ISIRs

Pros	Cons
1. Using another electronic media would allow for continued electronic exchange of ISIR data.	1. If other media exchanges are required, ED must inventory institutions for compatible media e.g., tape readers.
	2. Physical handling of media, such as mounting tapes and mailing those tapes to institutions, would add additional timeliness and cost to the process.
	3. Physical handling of media, such as mounting tapes and mailing those tapes to institutions, would add additional cost to the process.

Disseminating information (SAR) to the student sub-process

Failure Scenario

Students do not receive SARs from the CPS.

The CPS is unable to produce SARs. Students and families will not know the outcome of their applications for federal student aid. If there are corrections or additional information required, these additional actions may not be taken. In many cases, this could affect the students' financial aid package if deadlines are missed or limited aid is allocated without consideration of their need.

Time Horizon to Failure

Failures could occur as early as January 1, 2000.

Normal Performance Levels

It takes the CPS not more than 5 days to generate a SAR after processing.

Emergency Performance Levels

The emergency performance level for CPS to generate a SAR is 10 working days.

Performance Levels Comparison – SAR

Normal Performance Level	Emergency Performance Level
5 days after processing	10 working days

Risk Mitigation Options

A. **Encourage applicants to file early for the 1999 – 2000 award year.** To mitigate the risk of the CPS being unable to produce SARs, ED would encourage students who are applying for financial aid for the Winter and Spring terms to apply prior to January 1, 2000.

Pros and Cons – SAR

Pros	Cons
1. Early filing of 1999 – 2000 applications would not require any changes to processing.	1. This would address entering students in later terms of an academic year. Not all entering students for later academic year terms have made decisions prior to January.
	2. The failure would shift application volume to the fall that would normally be in January.

Contingency Options

A. **Inform applicants of other sources of SAR information.** If the CPS is unable to produce a SAR, ED would inform students of alternate sources of this information, such as Federal Student Aid Information Center or their schools.

Pros and Cons – SAR

Pros	Cons
1. Students who have chosen a school on their applications would be able to receive SAR information from their school of choice.	1. For students who have not chosen a school on their applications, there would be no effective way to inform the student that this is an option.

Provide information to the Federal Student Aid Information Center (FSAIC) Sub-process

Failure Scenarios

CPS is unable to provide information to FSAIC.

ED will be unable to communicate information about applications for federal student aid. FSAIC also provides the status of the application. If FSAIC does not have current information, it will not be able to assist the student by:
- providing the status of the process
- accessing the application data
- assisting with corrections (e.g. address , proven data entry errors)
- changing data on an applicant's record (e.g. change schools and students address)

If an applicant is not aware of an application status when corrections are needed or an application is not processed, the applicant could miss an application deadline and not receive financial aid.

Time Horizon to Failure

Failures could occur as early as January 1, 2000.

Normal Performance Levels

The FSAIC access to CPS data is online and instantaneous.

Emergency Performance Levels

The emergency performance level to provide information to FSAIC is 1 week.

Performance Levels Comparison – FSAIC

Normal Performance Level	Emergency Performance Level
Online reflecting daily processing	1 week

Risk Mitigation Options

None.

Contingency Options

A. **A computer readable backup copy is made available to the FSAIC.**
    The CPS provides the FSAIC a copy of the latest processing data prior to
    a failure in their computer readable format.

Pros and Cons – FSAIC

Pros	Cons
1. A computer readable copy would allow the FSAIC to carry on many of its services to the general public and some of its services to financial assistance professionals.	1. This copy would not provide useful date sensitive information for an extended period of time. 2. There is no current system developed that could accommodate this solution for FSAIC access to a backup database. 3. Additional cost would be incurred.

B. **FSAIC contacts the CPS directly.** FSAIC phone representatives would
    contact CPS or ED, who would still have access to CPS data.
    Communications would include phone contact, fax, e-mail, and other
    communications resources.

Pros and Cons – FSAIC

Pros	Cons
1. Information dissemination continues despite a failure of the CPS interface with the FSAIC.	1. The amount of information that could be disseminated would be limited. 2. This will impact CPS personnel that may be needed to correct the interface failure.

Student Aid Origination and Disbursement for PELL, CAMPUS-BASED, AND DIRECT LOAN PROGRAMS

Executive Summary

The student aid origination and disbursement process provides federal student financial aid funds to students. This process includes the Pell Grant, campus-based and Direct Loan programs. Because the student aid origination and disbursement process relies on a multiple systems including school systems, it is vulnerable to a Y2K date change related failure.

ED would pursue a variety of solutions to ensure that student financial aid can be disbursed in the event of a Y2K failure. These solutions range from schools performing certain activities early to providing nearly $5 billion in advance funding so that students would have access to federal funds in the event of any Y2K failures.

To mitigate any failures in the student aid origination and disbursement process, ED would allow schools to draw down federal funds in December 1999 to cover the estimated disbursements schools will make to students in January and February of 2000. ED would not enforce the federal regulations that prohibit schools from drawing down federal funds earlier than their immediate financial need.

In the event that schools are unable to create and send origination and disbursement records or those records cannot be received and accepted by ED, electronic reporting requirements would not be enforced for a brief period. However, schools would not be relieved from their responsibility for maintaining accurate information regarding their fiduciary obligations to properly administer the Title IV programs. Schools would be required to transmit electronic records to ED later when the impacted information system becomes operational.

If a school's or ED's ability to create promissory notes under any of the loan programs were affected, a preprinted or downloadable version of the promissory note would be made available for reproduction. In the event that other information necessary to support loans (such as credit reports or income contingent repayment waivers) cannot be sent by ED's information partners or received and processed by ED, ED would continue to process loans assuming an affirmative response.

To mitigate the impact of a failure in the authorization process for the Pell Grant program, ED would systematically adjust initial authorization levels for all schools before December 31, 1999, based upon the historical Pell Grant activity of the school. In the event authorization levels cannot be adjusted due to a failure in a school's ability to send or in ED's ability to receive and process student level data, ED would utilize the initial authorization process to make manual adjustments to authorization levels.

To mitigate the impact of a failure on the 2000 –2001 award year authorization process for the campus-based programs, ED would use the tentative awards as a final awards.

NOTE: The Department of Education has not made decisions about specific business process continuity/contingency plans. Preliminary plans identified herein are for discussion purposes only.

BACKGROUND

Schools determine the type and amount of awards that students and their parents are eligible to receive under the title IV programs and obtain program funds from ED to make those awards. In addition, schools are responsible for maintaining accurate records of all program funds and for filing timely reports with ED regarding the disposition of those funds.

BUSINESS PROCESS GOAL

The goal of this process is to deliver funds to schools in support of Title IV student financial aid programs.

GENERAL BUSINESS PROCESS DESCRIPTION

Origination
For the purpose of contingency planning, origination includes the activities that a school performs in certifying that students are eligible to receive title IV program funds such as Pell, campus-based and Direct Loans; determining the type and amount of aid that students qualify for; and reporting those determinations to ED. In addition to satisfying other requirements, a student qualifies for most programs on the basis of financial need. A school determines a student's need by subtracting the expected family contribution (EFC) from the student's cost of attendance. Students and parents that do not demonstrate financial need may borrow funds under unsubsidized loan programs.

Disbursement
For the purpose of contingency planning, disbursement is the process by which schools obtain funds from ED and provide those funds to students and parents. Under the disbursement process, a school requests funds from ED to make awards to eligible students and parents. A school disburses program funds by crediting a student's account or paying the student or parent directly by issuing a check, making a cash payment, or transferring the funds electronically to the student's checking account.

In the Direct Loan program, Option 2 schools estimate and request funds directly from ED to make disbursements to eligible students and parents. Option 1 and Standard Option schools must first submit origination records to ED. Based on those records, ED determines the amount of funds the school needs and initiates a draw of funds on behalf of the school.

Authorization
ED provides an initial authorization to a school participating in the Pell Grant Program. The school requests funds under that authorization to make disbursements to eligible students. As additional students that qualify for Pell Grants enroll at the school during the award year, ED increases the school's authorization based on payment information (disbursement records) submitted by the school to enable the school to make disbursements to those students.

Unlike the Pell Grant program, a school receives a final authorization, or allocation, of campus-based program funds. ED notifies a school of its campus-based authorization in the spring. A school allocates these funds to students until they are exhausted.

Reporting
Generally, participating schools are required to report actual disbursement amounts and dates and to reconcile cash balances in federal student financial aid accounts to federal records.   Pell Grant schools must provide origination and disbursement records to ED on an ongoing basis and must reconcile student level data periodically throughout the year. Direct Loan schools also provide origination and disbursement records to ED on an ongoing basis and must perform periodic loan reconciliation with ED. Schools participating in the campus-based programs must submit each year a Fiscal Operations and Application to Participate (FISAP) report showing how those funds were used.

BUSINESS PROCESS DESCRIPTION

Pell Grant Program Origination, Authorization, and Disbursement Sub-Process

1. ED establishes an initial authorization amount for Pell Grant funds.
2. Schools determine student eligibility and award amount.
3. Schools create origination records and send origination records to ED under RFMS.
4. ED sends origination acknowledgements to the school.
5. Schools create and send disbursement records to RFMS
6. ED sends disbursement acknowledgements to the school.
7. Schools draw down Pell Grant funds from GAPS.
8. Prior to disbursing funds a school verifies student's eligibility.

9. The school disburses funds to the student by way of cash, check, credit to the student's school account or EFT to the student's bank account.
10. ED adjusts the school's Pell Grant authorization levels based on the disbursement records submitted by the school.
11. ED updates Year to Date record and Statement of Account.

BUSINESS IMPACT ANALYSIS

Failure Scenario

I. ED cannot transfer initial authorization files to GAPS.
(Process step 1)

In the event of a RFMS failure, ED may not be able to establish in GAPS a school's initial authorization for Pell Grant funds. Without that authorization, a school will not be able to draw down funds.

Time Horizon to Failure

As early as June 1999.

Normal Performance Levels

ED can normally establish an initial authorization in less than 24 hours.

Emergency Performance Levels

ED would establish an initial authorization for a school within 7 days after a failure occurs.

Performance Level Comparison – Initial Authorization

Normal Performance Level	Emergency Performance Level
Data transfer occurs instantaneously	Data transfer occurs within 7 days

Risk Mitigation Options

I-a. Establish initial authorizations levels early.

To mitigate the risk that the ED cannot establish initial authorization levels for schools after June 1999, ED could establish initial authorizations levels in May 1999.

Pros and Cons – Initial authorization

Pros	Cons
1. Ensures that schools would be able to draw down Pell Grant funds beginning July 1, 1999 for the 1999-2000 award year.	1. Since the authorizations levels would not be based on the most current information, the authorizations amounts may not be accurate for some schools.

Contingency Options

I-a.Use other media.

In the event that ED could not transfer file to GAPS electronically, ED could use magnetic disk, CD ROM, or other media to physically transfer the files to GAPS.

Pros and Cons – Use other media.

Pros	Cons
1. Information can be easily transferred to CD or magnetic disk and delivered to GAPS in a timely manner.	1. Manual process may cause a minor delay in updating GAPS.

Failure Scenario

II.   A school cannot determine student eligibility and award amount.
(Process steps 2 and 8)

A school may use EDExpress, its own software, software from a third party vendor, or any combination of software and information processing systems for determining awards and student eligibility. In the event that one or all of these critical systems fails, a school may not have the ability to determine the amount of a student's Pell Grant award or whether the student is eligible to receive the award.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

Vary by school.

Emergency Performance Levels

Vary by school.

Performance Level Comparison – Student Eligibility Determination

Normal Performance Level	Emergency Performance Level
Vary by school.	Vary by school.

Risk Mitigation Options

II-a. Make early determinations of Pell Grant eligibility and award amounts.

To mitigate the risks of systems or software failures, a school may determine the Pell Grant award amount for student and establish that those students are eligible to receive those funds prior to January 1, 2000.

Pros and Cons – Student Eligibility Determination

Pros	Cons
1. It enables subsequent origination and disbursement processes to continue.	1. May be possible for a limited number of students.

II-b. Use EDExpress software or another Y2K compliant PC-based software package.

To mitigate the risk that school-developed or vendor-provided software fails, schools may obtain or consider using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress.

Pros and Cons – Student Eligibility Determination

Pros	Cons
1. No significant cost for ED or for the school.	1. May not be feasible for large or mainframe schools.
2. ED customer service would be able to provide training and assistance to schools using EDExpress.	2. Lack of familiarity with software could cause delays or errors.
3. EDExpress for 1999-2000 is certified Y2K compliant.	3. Some proprietary software products may be ver expensive to upgrade or to renovate.

Contingency Options

II-a. Use EDExpress software or another Y2K compliant PC-based software package.

In the event that school-developed or vendor-provided software fails, schools may obtain or consider using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress.

Pros and Cons – Student Eligibility Determination

Pros	Cons
1. No significant cost for ED or for the school. 2. ED customer service would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors.

II-b. Contract with a third-party servicer.

A school could enter into a contingency contract with a third-party servicer or another school that is Y2K compliant.

Pros and Cons – Student Eligibility Determination

Pros	Cons
1. Enables operations to continue.	1. Requires a school to commit funds and other resources in advance of an event that may not occur.

II-c.   Implement manual processes.

In the event of school system failures, a school could develop paper-based procedures.

Pros and Cons – Student Eligibility Determination

Pros	Cons
1. Short-term solution.	1. Manual processing could be costly and time-consuming.

Failure Scenario

III. ED cannot adjust appropriately a school's Pell Grant authorization.   (Process steps 3 ,4,5, and 6)

A school creates and transmits origination and disbursement records to the Recipient Financial Management Systems (RFMS). The CPS sends an abbreviated eligible record file to RFMS. RFMS compares the data from CPS to the data reported by the school in its origination records and accepts those origination records that match the CPS data. RFMS increases or decreases the school's Pell Grant authorization level based on accepted origination and disbursement records and updates GAPS with the school's adjusted authorization level. In the event that the school cannot create or transmit origination or disbursement records, or RFMS cannot receive or process those records, ED would not be able to determine the school's Pell Grant funding needs.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

Assuming that the school has all the information necessary to create an origination or disbursement record, the school could transmit that record to RFMS within 24 hours. It typically takes RFMS 1-3 days after it receives the records to process those records and update GAPS with the school's adjusted authorization.

Emergency Performance Levels

RFMS would update GAPS 7 days after becoming aware of a failure.

Performance Level Comparison – Pell Grant Authorization

Normal Performance Level	Emergency Performance Level
RFMS updates GAPS within 1-3 days after receiving records from school.	RFMS would update GAPS in 7 days.

Risk Mitigation Options

III-a. Early submission of origination and disbursement records.

To mitigate the risk of a school or ED failure after January 1, 2000, the school could submit origination and disbursement records prior to RFMS in December 1999.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. Little cost to school. 2. RFMS can establish funding levels for those records.	1. The school may not have the information necessary to create and transmit records early for many students.

III-b. Use EDExpress software or another Y2K compliant PC-based software package.

To mitigate the potential risk that school-developed or vendor provided software for creating and transmitting origination records would fail, a school could begin using the most current version of the EDExpress or another Y2K compliant PC-based software package.

Pros and Cons– Pell Grant Authorization

Pros	Cons
1. May have no significant cost for ED or for the school. 2. ED customer service would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors. 3. Requires a school to commit funds and other resources in advance of an event that may not occur. 4. Training will be required.

III-c. Adjust authorizations in advance

To mitigate the risk that ED will not be able to adjust a school's authorization level after January 1, 2000, ED could increase the school's authorization level prior to December 31, 1999 based on the school's historical funding needs.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. Schools would have access to increased funding levels.	1. Increasing authorization levels without complete or valid student level data raises program integrity concerns. 2. The authorization levels for some schools may be understated.

Contingency Options

III-a. Use EDExpress software or another Y2K compliant PC-based software package.

In the event that school-developed or vendor-provided software fails, schools may obtain or consider using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. May have no significant cost for ED or for the school. 2. ED customer service would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors.

III-b. Contract with a third-party servicer.

A school could enter into a contingency contract with a third-party servicer or another school that is Y2K compliant.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. Enable school to continue to create and transmit origination and disbursement records.	1. Requires a school to plan funds and other resources in advance of an event that may not occur.

III-c. Adjust authorization levels manually.

In the event of a school or RFMS failure, ED could increase the school's authorization level manually based on a funding request from the school.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. Schools would be able to draw down needed funds.	1. Increasing authorization levels without complete or valid student level data raises program integrity concerns.

III-d. ED would not enforce reporting rules.

In the event that a school cannot transmit origination and disbursement records within the required timeframes, ED could allow the school to transmit those records later.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. Provides time for schools to fix their systems.	1. Raises program integrity concerns.

III-e. Use other media to obtain CPS data.

If ED cannot receive data electronically from CPS due to an infrastructure failure, CPS could copy the abbreviated applicant file to CD-ROM or other media and send it to ED.

Pros and Cons – Pell Grant Authorization

Pros	Cons
1. ED could continue to approve origination records. 2. Information can be easily transferred to CD or other media.	1. Delays of processing of origination records. 2. Increased costs to ED.

Failure Scenario

IV. ED cannot create or transmit origination and disbursement acknowledgement records. (Process steps 4 and 6)

A school would not know if ED has accepted, corrected or rejected its origination or disbursement records.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

It typically takes ED less than one day to send acknowledgements to schools.

Emergency Performance Levels

ED could provide information regarding these records at the school's request.

Performance Level Comparison – Acknowledgement Records

Normal Performance Level	Emergency Performance Level
24 hours	In response to the school's request

Risk Mitigation Options

None.

Contingency Options

IV-a. Schools can contact Pell Customer Service.

ED can FAX information to schools if necessary. Schools can work with Pell Grant Customer Service to resolve information needs.

Pros and Cons – Acknowledgement Records

Pros	Cons
1. School could determine the status of their records.	1. In the event of widespread failures, demands on customer service support staff would be excessive. 2. An increase in staff to meet customer service demands could be costly to ED.

IV-b. School may assume that ED has accepted its records.

Upon receiving a notification from ED, schools may assume acceptance of records and continue to process disbursements as if accepted. Corrections can be made later, when critical information systems become operational.

Pros and Cons – Acknowledgement Records

Pros	Cons
1. Schools ability to process Pell grants would not be impacted by a failure of ED to send acknowledgements.	1. Schools may make awards on the basis of erroneous information.

Failure Scenario
V. A school cannot request funds from GAPS. (Process step 7)

A school requests funds from GAPS via the internet or by telephone. If either of these methods fails, schools would not be able to obtain funds from GAPS.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

Schools can normally submit a request for funds in less than one day. It typically takes 1 to 3 days for GAPS to process that request and deliver those funds via ACH or Fedwire to the school's Federal bank account.

Emergency Performance Levels

In the event of an infrastructure failure, it would create an additional day for a school to request funds (i.e. schools could submit a request via overnight mail).

Performance Level Comparison – Fund request from GAPS

Normal Performance Level	Emergency Performance Level
Schools can normally perform this activity in less than a day	Two calendar days

Risk Mitigation Options
V-a. Pre-fund School.
To mitigate the risk that a school would not be able to request funds from GAPS after January 1, 2000, ED would permit the school to request funds in December 1999 for an amount the school estimates it needs to make disbursements o eligible students in January and February 2000.

Pros and Cons – Pre-fund school

Pros	Cons
1. It has been done successfully before.	1. Increases the costs to the Federal government in advancing funds earlier than normal. 2. Raise a serious program integrity concerns.

Contingency Options

V-a. Request funds by overnight mail.

In the event of an internet or telephone failure, a school could request funds by submitting required information by overnight mail.

Pros and Cons – Fund request from GAPS

Pros	Cons
1. School would obtain needed funds.	1. A slight delay could occur in processing a school's request.

Failure Scenario

VI.   School is unable to disburse Pell Grant funds to a student.
(Process step 8)

Due to a Y2K-related school system or software failure, the school cannot disburse funds to a student by crediting the student's account at the school, crediting the student's bank account, issuing a check, or providing cash to the student.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

Vary by school.

Emergency Performance Levels

Vary by school.

Performance Level Comparison – Pell Grant Disbursement

Normal Performance Level	*Emergency Performance Level*
Vary by school.	Vary by school.

Risk Mitigation Options

VI-a. Outreach.

ED is conducting a variety of outreach activities designed to make schools aware of the need to be Y2K compliant**.**

Pros and Cons – Pell Grant Disbursement

Pros	Cons
1. Y2K compliant information systems mitigate the likelihood of a date change related failure.	1. None

VI-b. Schools can renovate critical information systems to ensure that they are Y2K compliant.

Schools should be currently engaged in activities to ensure that critical information systems are Y2K compliant.

Pros and Cons – Pell Grant Disbursement

Pros	Cons
1. Y2K compliant information systems mitigate the likelihood of a date change related failure.	1. None

Contingency Options

VI-a. Contract with a third party servicer.

A school could enter into a contingency contract with a third-party servicer.

Pros and Cons – Pell Grant Disbursement

Pros	Cons
1. Enable school to continue to make disbursements to students.	1. Requires a school to plan and commit funds and other resources in advance of an event that may not occur.

Failure Scenario

VII.   ED systems cannot send Pell Grant activity reports to schools. (Process step 10)

ED cannot provide to a school periodic and year-end reports that contain a variety of information regarding the school's activities under the Pell Grant Program. Schools reconcile the student, funding, and accounting information contained in these reports to their records.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

It typically takes ED 24 to 36 hours to generate and send these reports to schools.

Emergency Performance Levels

7-90 days, depending on the report.

Performance Level Comparison – Pell Grant Activity

Normal Performance Level	Emergency Performance Level
ED can normally support this activity in 24 to 36 hours.	7-90 days, depending on the report.

Risk Mitigation Options

None.

Contingency Options

VII-a.Schools can contact ED Customer Service.

ED can send the report information to a school via CD ROM or FAX, and Pell Grant Customer Service could provide additional support to schools.

Pros and Cons – Pell Grant Activity

Pros	Cons
1. Schools would have information needed to reconcile records.	1. In the event of widespread failures, demands on customer service support staff would be excessive.

BUSINESS PROCESS DESCRIPTION

Campus-based Program Authorization, Origination, and Disbursement Sub-processes

1. ED sends Fiscal Operations Report and Application (FISAP) to schools.
2. Schools complete and return FISAP to ED.
   (Note: sub-processes 1 and 2 are not subject to Y2K related failures)
3. ED processes the FISAPs and establishes allocation amounts for each school.
4. ED transfers campus-based accounting file to GAPS.
5. School packages student aid.
6. If aid package includes Perkins, school produces and has student sign promissory note.
7. School draws down funds as needed to disburse campus-based aid.
8. School satisfies matching requirements for aid drawn down.
9. Prior to disbursing funds the school verifies student eligibility.
10. School disburses funds to students.

BUSINESS IMPACT ANALYSIS

Failure Scenario

I. ED cannot determine a school's Campus-based program allocations.
(Process step 3)

The FISAP is completed by a school electronically and transmitted to ED via the Title IV Wide Area Network (TIV WAN). ED processes the school's FISAP data and initiates an edit process under which the school can make corrections to its FISAP data. This first round of edits takes place from October to December 15. ED calculates a school's tentative campus-based program allocation amounts using information on the edited FISAP data and a statutory allocation formula.

Under the law, ED must notify the school of its tentative allocation amounts by February 1. Although not required under the law, ED affords the school another opportunity to correct FISAP data (i.e., second round of edits). Based on the statutory formula and second round of edits, ED establishes final allocation amounts and advises the school of those amounts by April 1. In the event that ED cannot receive or process the second round of edits after January 1, 2000, ED would not be able to determine a school's campus-based program allocations based on the most correct information. Also, if ED systems fail after January 1, 2000 ED may not be able to determine the school's tentative or final allocations.

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

ED notifies schools of their tentative campus-based allocations for the upcoming award year by February 1. ED informs schools of their final allocations by April 1.

Emergency Performance Levels

ED would notify schools of their allocations for the 2000-2001 award year before February 1, 2000.

Risk Mitigation Options

I-a. Outreach.

To mitigate the risk that a failure in one or more of a school's systems may prevent ED from processing FISAP data, ED is conducting a variety of outreach activities designed to make the school aware of the need to be Y2K compliant.

Pros and Cons – Outreach

Pros	Cons
1. Y2K Compliant information systems mitigate the likelihood of a date change related failure.	1. None.

I-b. Tentative allocation amount becomes final.

To mitigate the risk that ED could not process the second round of edits or that ED systems would fail after January 1, 2000. ED would forego those edits, finalize the tentative allocations, and inform schools of their allocations in December 1999.

Pros and Cons – Finalize tentative allocations

Pros	Cons
1. By completing all required edits prior to January 1, 2000 ED avoids the potential for a Y2K date change failure. 2. Utilizing this process will ensure that final allocations can be determined and made available to all participating schools prior to year end 1999. 3. Early calculation of authorization amounts does not require specialized contingency planning or detailed contingency plan design.	1. School will not have a second opportunity to correct FISAP data. 2. ED would not be able to determine a school's campus-based program allocations based on the most correct information.

Contingency Options

I-a. Paper-based FISAP edits.

In the event that ED is unable to receive or process electronically the second round of edits for the FISAP, ED could provide schools with paper copies of their FISAP edits. Schools could then make corrections and Fax the corrected edits to ED. ED would input the corrected information manually.

Pros and Cons – Paper-based FISAP

Pros	Cons
1. Enables schools to provide and ED to process the second round of FISAP edits.	1. Manual processing would require a significant investment in resources and labor and, may delay the process.

I-b. Use allocations calculated in December 1999.

ED would calculate a school's campus-based allocations in December 1999 and finalize those allocations in the event that a campus-based system failure after January 1, 2000 would prevent ED from meeting statutory deadlines.

Pros and Cons – Use allocations calculated

Pros	Cons
1. By completing all required edits prior to January 1, 2000 ED avoids the potential for a Y2K date change failure. 2. Utilizing this process will ensure that final allocations can be determined and made available to all participating schools prior to year end 1999. 3. Early calculation of authorization amounts does not require specialized contingency planning or detailed contingency plan design.	1. School will not have a second opportunity to correct FISAP data. 2. ED would not be able to determine a school's campus-based program allocations based on the most correct information.

Failure Scenario

II. ED cannot send accounting files to GAPS
(Process step 4)

After ED establishes final allocations, ED sends that information to GAPS. GAPS updates the school's file. In the event that ED cannot transfer the accounting files to GAPS, the school would not be able to draw down campus-based funds beginning on July 1.

Time Horizon to Failure

March 2000.

Normal Performance Levels

Accounting files electronically transferred to GAPS in March.

Emergency Performance Levels

ED would transfer accounting files to GAPS in March using other media.

Performance Level Comparison – Provide accounting files to GAPS

Normal Performance Levels	Emergency Performance Levels
Accounting files electronically transferred to GAPS in March.	ED would transfer accounting files to GAPS in March using other media.

Risk Mitigation Options

> None.

Contingency Options

> **II-a. Use other media.**
>
> In the event that ED could not transfer file to GAPS electronically, ED could use magnetic disk, CD ROM, or other media to physically transfer the files to GAPS.

> ***Pros and Cons – Use other media.***

Pros	Cons
1. Relatively easy to do and does not require a significant investment.	1. Manual process may cause a minor delay in updating GAPS.

> **Note: The failure scenarios, risk mitigation, and contingency options for process steps 5-10 are the same as those for the Pell Grant and Direct Loan Programs.**

BUSINESS PROCESS DESCRIPTION

Direct Subsidized Loan and Direct Unsubsidized Loan Origination and Disbursement Process

1. ED establishes an account in GAPS for each academic year.
2. School packages student aid.
3. School generates loan origination records using software developed by ED, by the school or by a third party vendor. Origination records include individual student information and loan amounts.
4. The school sends origination records to the Loan Origination Center (LOC)
5. LOC or the school sends disclosure statement to borrower
6. The LOC sends school acknowledgement of accepted or rejected origination records.
7. The Loan Origination Center prints and distributes promissory notes for a Standard Option school. An Option 1 or Option 2 school can print its own promissory notes or have the Loan Origination Center print and distribute them.
8. Student signs a promissory note and returns it to the LOC (if the school is Standard option) or directly to the school (if Option 1 or 2).
9. An Option 1 and Option 2 school sends promissory notes to LOC with paper manifests.
10. LOC sends acknowledgement to school of promissory note acceptance or rejection.
11. Option 2 school determines the amount of funds it needs to make immediate disbursements to students and draws down that amount from ED (GAPS).
12. For an Option 1 or Standard school, the LOC initiates a funding request based on the anticipated disbursement dates and amounts provided by the school in the loan origination records. The LOC sends the school a disbursement roster. The LOC initiates this request for funds 4 days before the anticipated disbursement date.
13. Prior to disbursing loan funds, a school must verify borrower eligibility and verify that required entrance loan counseling has been done.
14. The school disburses funds by way of cash, EFT to the student 's bank account, check, or credit to the student's school account.
15. School transmits disbursement records, including adjustments to the LOC as soon as possible but no later than 30 days after the date of disbursement or adjustment.
16. LOC sends acknowledgement to school of acceptance or rejection of disbursement records.

17. LOC transmits data booking the loan to the Central Data Routing System (CDS) for transmission to Direct Loan Servicing Center and notifies the school that the loan has been booked.
18. The LOC initiates a monthly cash reconciliation process by sending the Direct Loan School Account Statement (DLSAS) to the school. School reviews and compares each DLSAS to its internal records.

Direct PLUS Loan Origination differs from Direct Subsidized Loan and Direct Unsubsidized Loan processing only in the following ways:

1. The parent borrower and student complete the combined PLUS Loan Application and Promissory note.
2. The Loan Origination Center transmits the applicant information to a credit bureau and receives the credit investigation report.
3. If an applicant does not have an adverse credit history the Direct Loan Origination Center transmits the credit check results to the school and sends a Direct PLUS Loan disclosure to the parent.
4. If an applicant has an adverse credit history, the Loan Origination Center notifies the applicant and the school of the credit report results and provides the borrower with the opportunity to appeal or obtain an endorser.

BUSINESS IMPACT ANALYSIS

Failure Scenario

> **I - ED cannot establish an account in GAPS for a school.**
> (Process Step 1)

> **ED establishes an account with GAPS no later than April 1999 for schools currently participating in the Direct Loan program. In the event that ED cannot establish this account a Direct Loan school will not be able to obtain funds.**

> *Time Horizon to Failure*

> ### *January 1, 2000.*

Normal Performance Level

> Accounting files electronically transferred to GAPS in April for participating schools. For school that begin participation in the Direct Loan program after April, accounting files are electronically transferred to GAPS at that time.

Emergency Service Level

> ED would transfer the accounting file to GAPS by other means within 7 days of an electronic transmission failure.

> *Performance Level Comparison – Establish an account in GAPS*

Normal Service Level	Emergency Service Level
24 to 36 hours	7 calendar days

> *Risk Mitigation Options*

I-a. Notify ED prior to April

> **New schools should notify ED that they intend to participate in the Direct Loan program as soon as possible and preferably before January 1, 2000.**

Pros and Cons - Notify ED prior to April

Pros	Cons
1. **A new school's access to program funds would not be delayed.**	1. **None.**

Contingency Options

I-a. Use other media.

In the event that ED could not transfer file to GAPS electronically, ED could use magnetic disk, CD ROM, or other media to physically transfer the files to GAPS.

Pros and Cons – Use other media.

Pros	Cons
1. Relatively easy to do and does not require a significant investment. 2. Data would be available to GAPS in a timely manner.	1. Manual process may cause a minor delay in updating GAPS.

Failure Scenario

II. School cannot package aid. (Process Step 2)

To package student aid, a school may use it own software, software from a third-party vendor, EDExpress, or a combination these software packages and related information processing systems. In the event that one or all of these systems fails, a school may not be able to determine the type and amount of program funds that students qualify for.

Time Horizon to Failure

January 1, 2000.

Normal Service Levels

Vary by school.

Emergency Service Levels

Vary by school.

Performance Level Comparison – Package aid

Normal Service Level	Emergency Service Level
Vary by school.	Vary by school.

Risk Mitigation Options

II-a.   Package aid early

To mitigate the risk of software or systems failures, a school could package aid for as many students as possible before January 1, 2000.

Pros and Cons – Package aid early

Pros	Cons
1. Enables subsequent origination and disbursement processes to	2. May be possible for only a limited number of students.

continue.	

II-b.   *Use EDExpress software or another Y2K compliant PC-based software package.*

> ***To mitigate the risk that school-developed or vendor-provided software fails, schools could begin using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress.***

Pros and Cons – Package

Pros	Cons
1. No significant cost for the school. 2. CAMS would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors.

Contingency Options

II-a.   *Use EDExpress software or another Y2K compliant PC-based software package.*

> ***In the event that school-developed or vendor-provided software fails, schools could obtain or consider using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress.***

Pros and Cons – EDExpress software or other Y2K compliant software

Pros	Cons
1. No significant cost for the school. 2. CAMS would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors.

II-b.   Contract with a third-party servicer

A school could enter into a contingency contract with a third-party servicer or another school that is Y2K compliant.

Pros and Cons – Contract with a third-party servicer

Pros	Cons
1. Enables school to continue to package aid.	1. Requires a school to commit funds and other resources in advance of an event that may not occur.

II-c. Implement manual processes

In the event of school system failures, a school could develop paper-based procedures**.**

Pros and Cons – Implement a manual process

Pros	Cons
1. This is only a short-term solution.	2. Manual processing could be costly and time-consuming.

Failure Scenario

III – LOC cannot determine funding needs or initiate a request for funds for a Standard Option or Option 1 school. (Process steps 3, 4, 5, 6, and 12)

The LOC uses information in the origination records to determine the school's funding needs and to initiate a request for funds from GAPS. In the event that the school cannot create or transmit origination records or the LOC cannot receive or process those records, the LOC would not be able to determine the school's funding needs or request funds for the school.

Time Horizon to Failure

January 1, 2000.

Normal Performance Level

Assuming that the school has all the information necessary to create an origination record and transmits that record to the LOC, the LOC can process that record within 24 hours. It typically takes the LOC 1-3 days to initiate a request for funds from GAPS. The LOC makes that request 4 days before the anticipated disbursement dates reported by the school in the origination records.

Emergency Performance Level

The LOC would initiate a request for funds within seven days of an LOC failure to process origination records.

Performance Level Comparison – Funding Needs

Normal Performance Level	Emergency Performance Level
24 hours	7 calendar days

Risk Mitigation Option

III-a. Originate Loans Early.

To mitigate the risk that the LOC could not determine a school's funding needs, a school could transmit origination records to the LOC before January 1, 2000.

Pros and Cons – Originate Loans Early

Pros	Cons
1. Little or no cost to school. 2. The LOC would establish funding levels based upon those records.	1. School would not be able to transmit originations early for all of its students. 2. School may not have the resources to process early origination records.

III-b. Use EDExpress software or another Y2K compliant PC-based software package.

To mitigate the potential risk that school-developed or vendor provided software for creating and transmitting origination records would fail, a school could begin using the most current version of the EDExpress or another Y2K compliant PC-based software package*.*

Pros and Cons– EDExpress software or other Y2K compliant software

Pros	Cons
1. May have no significant cost for ED or for the school. 2. CAMS would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors. 3. Requires a school to commit funds and other resources in advance of an event that may not occur. 4. Training will be required.

III-c. Pre-funding Option 1 and Standard Option schools

To mitigate the risk of an LOC failure, ED could provide funds to an Option 1 or Standard school in December 1999 to enable the school to make disbursements to eligible borrowers in January and February 2000.

Pros and Cons – Pre-funding Option 1 and Standard Option schools

Pros	Cons
1. Most borrowers would receive loan proceeds as scheduled.	1. The federal government would incur increased interest costs in making funds available early.
	2. Raises program integrity concerns.

Contingency Options

III-a. ED could develop paper forms for submitting origination and disbursement data.

ED could develop an information collection form that a school could use to report required loan information.

Pros and Cons – Develop paper forms

Pros	Cons
1. This option could be used on a limited basis, or for a small number of schools.	1. This option would be difficult for a large school to implement.
	2. There would be an increased demand on LOC staff resources to manually input data.
	3. Processing would be substantially delayed.

III-b. Contract with a third-party servicer.

A school could enter into a contingency contract with a third-party servicer or another school that is Y2K compliant.

Pros and Cons – Contract with a third-party servicer.

Pros	Cons
1. Enable school to continue to create and transmit origination and disbursement records.	1. Requires a school to commit funds and other resources in advance of an event that may not occur.

III-c. Use EDExpress software or another Y2K compliant PC-based software package.

In the event that school-developed or vendor-provided software fails, schools may obtain or consider using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress.

Pros and Cons – EDExpress software or other Y2K compliant software

Pros	Cons
1. May have no significant cost for ED or for the school. 2. ED customer service would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors.

III-d. Advance funds to Option 1 and Standard Option schools

In the event that the school cannot transmit or the LOC cannot process origination records after January 1, 2000, the school would notify the LOC of the amount of funds that it needs to make immediate disbursements to students, and the LOC would initiate a request for funds from GAPS for that amount.

Pros and Cons – Advance funds to Option 1 and Standard Option schools

Pros	Cons
1. This option would cause minimal interruption in service to students or parents	1. Late reporting by schools or processing by the LOC of loan origination and disbursement records could cause reconciliation problems and delay the booking and subsequent servicing of the loan. 2. This option may raise program integrity concerns. 3. Subsequent reporting of data by schools may be time consuming and burdensome.

III-e. ED would not enforce reporting rules.

In the event that a school cannot transmit origination and disbursement records within the required timeframes, ED could allow the school to transmit those records later.

Pros and Cons – Reporting Rules

Pros	Cons
1. Provides time for schools to fix their systems.	1. Raises program integrity concerns.

Failure Scenario

IV – School or the LOC is unable to create a promissory note (Process steps 7, 8, 9, and 10)

The LOC prints promissory notes a Standard school based on the school's origination records and mails the noted directly to students. An Option 1 school may elect to print its own promissory notes or have the LOC print them. In the latter case, an Option 1 school would have to transmit origination records to the LOC. A majority of Option 2 schools print their own promissory notes. In the event that the LOC cannot receive or process origination records, it would not be able to print promissory notes for Standard and Option schools. In the event of a system failure at an Option 2 school, the school may be unable to print promissory notes.

Time Horizon to Failure

January 1, 2000.

Normal Performance Levels

If a school prints its own promissory notes, varies by school. It typically takes the LOC less than three days to print and mail promissory notes.

Emergency Performance Levels

Varies by school if printed by the school. It may take the LOC up to 7 days to print and mail the promissory notes.

Performance Level Comparison – Promissory Notes

Normal Performance Level	Emergency Performance Level
Vary by school	*Vary by school*

Risk Mitigation Options

IV-a. Encourage borrowers to sign promissory notes early.

A school could identify potential loan applicants and encourage them to sign promissory notes.

Pros and Cons – Encourage borrowers to sign promissory notes early

Pros	Cons
1. Loan processing and disbursement of funds would continue.	1. Students and/or parents may not wish to sign a promissory note for funds they may not receive.

Contingency Option

IV-a. Preprint promissory notes

ED or the school could preprint promissory notes with key fields left blank. The school would complete the note manually, as needed.

Pros and Cons – Preprint promissory notes

Pros	Cons
1. ED would have sufficient stock on-hand to be sure that notes are available to all schools. 2. Little or no cost to ED if ED supplies a downloadable version of the promissory on the web that schools can reproduce as needed.	1. Increases burden on schools that normally rely on the LOC to print notes. 2. Raises program integrity concerns.

IV-b. Contract with a third-party servicer.

A school could enter into a contingency contract with a third-party servicer or another school that is Y2K compliant.

Pros and Cons – Contract with a third-party servicer.

Pros	Cons
1. Enable school to continue to print or obtain promissory notes.	1. Requires a school to commit funds and other resources in advance of an event that may not occur.

IV-c. Use ED regional facilities.
ED could equip the regional and headquarters offices so that a school could print promissory notes.

Pros and Cons – Use ED regional facilities

Pros	Cons
1. May enable small schools located near a ED facility to obtain printed notes quickly and inexpensively.	1. May not be practical or cost-effective for large school or school located far from ED facility.

IV-d. Use EDExpress software or another Y2K compliant PC-based software package.

In the event that school-developed or vendor-provided software for printing promissory notes fails, schools may obtain or consider using the most current version of the EDExpress software or another Y2K compliant PC-based software package. ED could provide Y2K compliant PC's to a school with the latest version of EDExpress*.*

Pros and Cons – EDExpress software or other Y2K compliant software

Pros	Cons
1. May have no significant cost for ED or for the school. 2. ED customer service would be able to provide training and assistance to schools using EDExpress. 3. EDExpress for 1999-2000 is certified Y2K compliant.	1. May not be feasible for large or mainframe schools. 2. Lack of familiarity with software could cause delays or errors.

Failure Scenario

V. ED and school records cannot be reconciled. (Process step 6, 10, 16, and 18)

The LOC sends periodic Direct Loan School Account Statements (DLSAS) detailing and summarizing cash transactions for the school. This statement is used by the school to reconcile its internal records to ED records. In the event an LOC system failure, a school may not receive the DLSAS.

Time Horizon to Failure

January 1, 2000.

Normal Performance Level

Monthly

Emergency Service Level

90 days

Performance Level Comparison – Reconciliation

Normal Performance Level	Emergency Performance Level
Monthly	90 days

Risk Mitigation Options

None.

Contingency Options

V-a. Postpone Reconciliations

The LOC will provide the DLSAS reports to schools as soon as possible after systems are repaired.

Pros and Cons – Postpone Reconciliation

Pros	Cons
1. Little or no risk.	1. **Schools may have to reconcile more than one month of transactions.**

Failure Scenario

VI. - The LOC cannot request or receive credit reports for PLUS loan borrowers. (PLUS Process step 2)

To qualify for a Direct PLUS loan, an applicant cannot have an adverse credit history. The applicant authorizes ED to obtain a copy their credit report when he/she signs a PLUS Application/Promissory Note. The school creates an origination record after it receives the Application/Promissory Note. The LOC requests a credit report for all PLUS applicants.   In the event that the LOC does not receive an origination record it cannot initiate a request for a credit report. Moreover, the LOC's ability to request and receive credit reports would be adversely affected by a failure in the interface between the LO subsystem and the credit bureau.

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

After the LOC receives an origination record, it typically takes 24 hours to request and receive a credit report.

Emergency Performance Levels

It may take the LOC 10 days to request and receive a credit report.

Performance Level Comparison – Credit reports

Normal Service Level	Emergency Service Level
24 hours to request and receive a credit report.	*10 days to request and receive a credit report.*

Risk Mitigation Options

VI-A. OBTAIN ADVANCE AUTHORIZATION TO REQUEST CREDIT REPORTS

To mitigate the risk of a school not being able to transmit an origination record or the LOC not being able to obtain a credit report after January 1, 2000, ED could obtain authorization from potential PLUS borrowers to request credit reports early. PLUS applicants could be asked to provide an authorization to the LOC before December 15, 1999 permitting ED to request credit reports. The authorization could be a copy of the PLUS Application/Promissory Note, an origination record, or another document signed by the borrower giving ED permission to obtain a credit report.

Pros and Cons – Obtain advance authorization to request credit reports

Pros	Cons
1. PLUS loan processing would not be interrupted.	1. Places additional burdens on school to identify and contact potential borrowers, obtain authorizations from interested borrowers, and process the authorizations.

Contingency Options

VI-a.   FAX or mail a copy of combined application and promissory note.
If a school cannot transmit an origination record or the LOC cannot receive it, a school could fax or mail to the LOC a copy of the Application/Promissory Note.

Pros and Cons – FAX or mail a copy of combined application and promissory note.

Pros	Cons
1. PLUS loan processing would not be interrupted.	1. Places additional burdens on school to identify and contact potential borrowers, obtain authorizations from interested borrowers, and process the authorizations.

VI-b.   Accept borrower-provided credit reports

In the event that the LOC cannot receive a credit report from the credit bureau, it may accept a current credit report from the borrower.

Pros and Cons – Accept borrower provided credit reports

Pros	Cons
1. PLUS loan processing could continue.	1. Processing might be delayed if applicant does not have a current report available. 2. Chance that borrower-provided report has been altered.

VI-c. Continue processing without credit report

In the event that a credit report cannot be generated by the credit bureaus or received by the LOC, ED could process the loan without the report and allow a school to make a first disbursement to the borrower. The LOC would attempt again to obtain a credit report to determine whether to allow the school to make a second disbursement.

Pros and Cons – Continue processing without a credit report

Pros	Cons
1. School would be allowed to make a first disbursement to the borrower. 2. Most borrowers do not have adverse credit history.	1. Increases risk of default. 2. A regulatory waiver would be required on a case by case basis depending on an evaluation of the steps the entity took.

DIRECT CONSOLIDATION LOAN SUB-PROCESS

1. Borrower accesses combined application and Promissory Note on the Web, completes it on the WEB, or completes a paper version and sends it to the LOC.
2. LOC receives and begins processing paper or electronic application.
3. LOC reviews applications for completeness, images paper applications, and enters applicant data on the LC system.
4. LOC may request additional information from a borrower to obtain missing data or resolve inconsistencies. (This step is referred to as "exam entry".)
5. If the borrower requests an Income Contingent Repayment (ICR) option, the LOC sends a request electronically to the IRS through the interface with the Direct Loan Central Data System (CDS) to validate the borrower's consent to disclose income information (also referred to as the "IRS waiver").
6. If the borrower requests a PLUS consolidation, the LOC requests a credit report.
7. LOC creates and sends paper or electronic verification certificates to each loan holder identified by the borrower in the application. The loan holder completes the certificate by providing the pay-off amount, interest rate, and other information about each loan it holds for the borrower, and verifies that the loans are Federal loans (i.e., that it is a loan that can be consolidated under this process).
8. Loan holders return the verification certificates to the LOC.
9. After the LOC receives all the certificates, it notifies the borrower of the certified loans and informs the borrower that it will proceed to consolidate the loans if he or she does not contact the LOC in 10 days.
10. After 10 days, the LOC pays off each loan ("funds") and books ("originates") the consolidated loan: payoffs for loans held by guarantee agencies, ED's Debt Collection Service and defaulted loans held by Health and Human Services are by the completion of Form SF 1081 (and funding through Treasury); payoffs to the Direct Loan Servicing Center are electronic; payoffs to private lenders and schools (for Perkins, Health Professions and Nursing loans) are by check.
11. LOC transfers the consolidated loan data via CDS to the Direct Loan Servicing Center.

Failure Scenario

I. The LOC cannot receive an electronic application.

(Process step 2)

LOC cannot begin to process a consolidation loan request.

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

The LOC receives an electronic application the same day (within 24 hours) the borrower sends it.

Emergency Performance Levels

Inform the borrower to use a paper application within 10 days after LOC becomes aware of the borrower's attempt to apply for the loan. The LOC will most likely become aware of the borrower's attempts from telephone and e-mail inquiries. Depending on the scope of the failure, the LOC may or may not be able to identify the attempt without applicant intervention.

Performance Level Comparison – Electronic Application

Normal Performance Levels	Emergency Performance Levels
The LOC receives an electronic application the same day (within 24 hours) the borrower sends it.	Inform the borrower to use a paper application within 10 days after LOC becomes aware of the borrower's attempt to apply for the loan. The LOC will most likely become aware of the borrower's attempts from telephone and e-mail inquiries. Depending on the scope of the failure, the LOC may or may not be able to identify the attempt without applicant intervention.

Risk Mitigation Options

I-a. Use paper application. To mitigate the risk of an Internet or electronic software failure, encourage potential borrowers to apply for consolidation loans by December 15, 1999 using paper applications.

Pros and Cons – Use paper application

Pros	Cons
Ensures loan application process continues.	1. May take slightly longer to process paper applications.

Contingency Options

I-a. Use paper application. ED through the LOC would inform affected borrowers to use the paper application.

Pros and Cons – Use paper application

Pros	Cons
1. Ensures loan application process continues.	1. May take slightly longer to process paper applications

Failure Scenario

II. LOC cannot conduct normal processing. (Process steps 2, 3, 4,)

The LOC would not be able to image or enter data from paper applications, causing delays in processing and creating difficulties in responding to borrower inquiries about their applications (i.e., without data entry, it would be difficult for the LOC to track the processing status of applications and provide that information to borrowers).

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

It typically takes 3 days from the time the LOC receives an application to image and data enter the application; an additional 4-38 days is needed to perform exam entry and obtain missing information from the borrower or resolve conflicting application information.

Emergency Performance Levels

15 to 60 days to complete tracking and exam entry of the application.

Performance Level Comparison – Normal processing

Normal Performance Levels	Emergency Performance Levels
It typically takes 3 days from the time the LOC receives an application to image and data enter the application; an additional 4-38 days is needed to perform exam entry and obtain missing information from the borrower or resolve conflicting application information	15 to 60 days to complete tracking and exam entry of the application.

Risk Mitigation Options

II-a. Use electronic application. To mitigate the risks that paper applications could not be processed normally, encourage borrowers to use electronic applications.

Pros and Cons – Use electronic application

Pros	Cons
1. Avoids application processing delays and disruptions in responding to borrow inquiries.	1. Electronic application software or communications infrastructure (internet) may fail (see Failure Scenario I).

Contingency Options

II-a. Revert to manual processing of applications. The LOC would implement procedures to manually process paper applications. These manual procedures would include photocopying original paper applications in order in order to protect them and using the photocopies to review the data element s of the application for completeness, Follow up to the applicant would be from off-the-shelf letters, rather than by system-generated letters as is normal practice.

Pros and Cons – Manual processing

Pros	Cons
1. Ensures that loan processing continues.	1. May take slightly longer to process paper applications. 2. May not be able to respond timely to borrower inquiries.

Failure Scenario

III. The LOC is unable to obtain a credit report for a Direct PLUS Consolidation Loan. (Process step 6)

A credit report of the borrower is normally obtained and reviewed by the LOC when the applicant has asked for a PLUS loan to be consolidated. The LOC will stop processing an application if the borrower's credit history does not satisfy certain standards and ask either for an endorser to the loan or offer the applicant the opportunity to appeal. In the event that the LOC cannot request or obtain a credit report, application processing may stop or be delayed.

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

After the LOC receives an application, it typically takes10 days to request and receive a credit report.

Emergency Performance Levels

30 days to request and receive a credit report.

Performance Level Comparison – Obtain credit reports

Normal Performance Levels	Emergency Performance Levels
After the LOC receives an application, it typically takes10 days to request and receive a credit report.	30 days to request and receive a credit report.

Risk Mitigation Options

III-a. Encourage early submission of PLUS consolidation applications.

To mitigate the risk that the LOC would not be able to obtain a credit report after January 1, 2000, the borrower should submit an application before December 15, 1999.

Pros and Cons – Encourage early submission

Pros	Cons
1. PLUS application processing would not be interrupted.	1. Not all potential borrowers will know to file or file applications in December 1999.

Contingency Options

III-a. Accept borrower-provided credit reports. In the event that the LOC cannot receive a credit report from the credit bureau, it could accept a current credit report obtained from the borrower.

Pros and Cons – Accept borrower-provided credit reports

Pros	Cons
1. PLUS application processing could continue.	1. Processing might be delayed if applicant does not have a current report available. 2. Chance that borrower-provided report has been altered.

III-b. Continue processing without credit report. In the event that a credit report cannot be generated by the credit bureaus or received by the LOC, ED could process the consolidation loan without the report.

Pros and Cons – Continue processing without credit report

Pros	Cons
1. PLUS application processing could continue. 2. Most borrowers do not have adverse credit history.	1. Increases risk of default.

Failure Scenarios

IV. The LOC is unable to send a request electronically to the IRS to validate the borrower's consent to disclose income information (also referred to as the "IRS waiver"). (Process step 5)

This failure would apply only to defaulted student loan borrowers or to other student loan borrowers seeking an ICR (income contingent repayment) option. (This option is not available to PLUS borrowers.)

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

It typically takes 12 days for the LOC to receive a response from the through the Central Data System (CDS).

Emergency Performance Levels

In the case of a defaulted borrower (i.e., forced ICR repayment) 60 days. In the case of a student loan borrower' choosing ICR as one of the four options, 12 days

Performance Level Comparison –ICR repayment

Normal Performance Levels	Emergency Performance Levels
It typically takes 12 days for the LOC to receive a response from the through the Central Data System (CDS).	In the case of a defaulted borrower (i.e., forced ICR repayment) 60 days in the case of a student loan borrower' choosing ICR as one of the four options, 12 days

Risk Mitigation Options

IV-a. Postpone ICR process. To mitigate the risk of LOC unable to send electronic request to IRS, beginning December 15, 1999, postpone ICR process until the Direct Consolidation Loan is transferred to the Direct Loan Servicing Center.

Pros and Cons – Postpone ICR process

Pros	Cons
1. Processing of the consolidation would not be delayed	1. Borrowers would be more likely to change repayment plan, increasing the workload at the DLSC. 2. "Forced" ICR borrowers would not be eligible for the Direct Consolidation Loan unless they complete all the paperwork requirements with the DLSC Their booked consolidation loans would be ineligible and immediately due.

Contingency Options

IV-a. Place the borrower under standard repayment. In the event that the LOC cannot obtain an IRS waiver, the LOC cannot continue to process an ICR consolidation request. However, the LOC could (as it does under current practice when the ICR is delayed for borrowers who are not required to be under ICR but are choosing ICR as a repayment option) book the loan under standard repayment. The Direct Loan Servicing Center could later change the loan to an ICR consolidation at the borrower's request. Borrowers required to be under ICR (that is,

certain defaulted borrowers) would also be booked under standard repayment.

Pros and Cons – Place the borrower under standard repayment

Pros	Cons
1. Would speed the DCL process.	1. Would inflate payment amounts for some borrowers. 2. Would benefit defaulted borrowers who are currently barred from DCL without validation of income information by IRS.

Failure Scenarios

V. The LOC is unable to generate verification certificates. (Process step 7)

LOC creates and sends paper or electronic verification certificates to each loan holder identified by the borrower in the application. The loan holder completes the certificate by providing the pay-off amount, interest rate, and other information about each loan it holds for the borrower, and verifies that the loans are Federal loans (i.e., that they are loans that can be consolidated under this process).

Time Horizon to Failure

January 1, 2000

Normal Performance Levels:

It typically takes the LOC less than 1 day after exam entry to generate the verification certificates.

Emergency Performance Levels:

5 days after exam entry.

Performance Level Comparison – Generate verification certificates

Normal Performance Levels	Emergency Performance Levels
It typically takes the LOC less than 1 day after exam entry to generate the verification certificates	5 days after exam entry

Risk Mitigation Options:

None.

Contingency Options:

V-a. Manually create verification certificates. LOC could implement procedures to produce the certificates manually and send the certificates by mail to the loan holders. These procedures are already in place.

Pros and Cons – Manually create verification certificates

Pros	Cons
1. Consolidation process continues.	1. There would be a minor delay in processing.

Failure Scenarios

VI. The LOC does not receive completed verification certificates from loan holders.

Without completed certificates, the LOC would not know whether the loans the borrower is seeking to consolidate can be consolidated or the exact pay-off amounts of those loans.

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

After the LOC generates the certificates, it typically takes 5 to 35 days before the LOC receives completed certificates from the loan holders.

Emergency Performance Levels

After the certificates are generated, 10 to 50 days to receive them from loan holders.

Performance Level Comparison – Receive complete verification certificates

Normal Performance Levels	Emergency Performance Levels
After the LOC generates the certificates, it typically takes 5 to 35 days before the LOC receives completed certificates from the loan holders.	After the certificates are generated, 10 to 50 days to receive them from loan

Mitigation Options:

VI-a. Generate printouts and/or files before December 15, 1999. To mitigate the risk of LOC not receiving complete verification from loan holder, by December 15, 1999, have printouts and/ or files of current Direct Loan balances available to the LOC so that at least Direct Loans can be consolidated.

Pros and Cons – Generate printouts and/or files

Pros	Cons
1. Loan processing continues.	1. Borrowers who have other loans in addition to Direct Loans would have only a partial consolidation, leaving remaining loan debt from their other loan holders. The sheer size of the printouts or files make manual processing cumbersome. Loan balance data will not reflect payments or disbursements after 12/15. Payoffs from this information will be inaccurate.

Contingency Options:

VI-a. Rely on NSLDS and DLSS loan data. In the event that loan holders cannot complete the verification certificates, the LOC could obtain borrower loan information, including loan balance data, from NSLDS and DLSS and use this information to consolidate a borrower's loans.

Pros and Cons – Rely on NSLDS and DLSS loan data

Pros	Cons
1. Loan processing continues.	1. Depending on how frequently loan holders update NSLDS, the loan balance data in NSLDS may not be current. 2. Access to the DLSS on-line system for all consolidation applications would be a stress to the DLSS and might impact routine borrower access; a dump of paper information.

VI-b. Rely on borrower providing most recent billing statements. In the event that the loan holders cannot complete the verification certificates, the LOC could use the latest billing statements as provided by the applicant. (Applicants are encouraged to submit these documents with the paper applications at this time.)

Pros and Cons – Rely on borrower

Pros	Cons
1.Loan processing continues.	1. The applicant may not have complete or updated information, especially if he/she is still in school and is not currently being billed. 2. Follow up to the applicant will delay the process.

Failure Scenarios

VII.The LOC is unable to pay-off by electronic means loans held by guarantee agencies and the DLSC

(Note: the LOC uses checks to pay-off loans held by banks and to pay collection costs to guarantee angelicas).

Time Horizon to Failure

January 1, 2000

Normal Performance Levels

It typically takes the LOC 2 to 4 days after receiving the verification certificates to initiate electronic payments to loan holders.

Emergency Performance Levels

14 to 30 days after receiving the verification certificates**.**

Performance Level Comparison – Loan payments

Normal Performance Levels	Emergency Performance Levels
It typically takes the LOC 2 to 4 days after receiving the verification certificates to initiate electronic payments to loan holders.	14 to 30 days after receiving the verification certificates.

Mitigation Options

None.

Contingency Options

VII-a.Use checks and notices. The LOC could write checks to pay-off loans held by guarantee agencies, and could notify the DLSC of the Direct Loans it currently services that becomes part of the borrower's consolidated loan.

Pros and Cons – Use checks and notices

Pros	Cons
1. Completes loan processing.	1. May cause minor delays in paying-off loans held by guarantee agencies. 2. May cause some reconciliation problems between the LOC and the DLSC.

STUDENT ENROLLMENT TRACKING AND REPORTING

EXECUTIVE SUMMARY

Borrower enrollment tracking and reporting is vital to ensuring that borrowers begin repaying loans on schedule and that they continue to receive interest benefits during in-school and deferment periods. The enrollment tracking process is highly automated, and thus, at risk for Y2K failures.

Strategies have been developed to mitigate risk and to continue processing in the event of actual failures in the enrollment reporting business process. Risk mitigation strategies include capturing borrower most recent enrollment information by December 1999 so that lender/servicers will have the latest available information in the event there are Y2K failures after January 3, 2000. In the event of NSLDS failures after January 3, 2000, contingency options could be implemented by schools, enrollment servicers, guaranty agencies, lender/servicers, or the Direct Loan servicer to use the most recent enrollment roster to capture enrollment changes. Or, in the case of multiple failures, lender/servicers and the Direct Loan servicer could rely on and update enrollment information based on the borrower's verbal or written notice.

NOTE: The Department of Education has not made decisions about specific business process continuity/contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

Schools and borrowers are responsible for notifying lender/servicers of borrower enrollment statuses. Lender/servicers track borrower enrollment changes and update borrower loan statuses, i.e. in-school, grace, deferment, repayment, etc.

About 7,000 eligible schools regularly complete Student Status Confirmation Reports (SSCRs) to report borrower current enrollment statuses and related information to the National Student Loan Data System (NSLDS). More than 90 percent of schools complete SSCRs at least six times each year. About 2500 schools use a third-party enrollment servicer to complete SSCRs for them. Currently, there are 28 enrollment servicers. Enrollment servicers process more than 75 percent of all student enrollment transactions. One servicer, the National Student Loan Clearinghouse (Clearinghouse), processes the great majority of student enrollment transactions. There are 37 guarantors and more than 6,100 student loan lenders and servicers that receive and use student enrollment information. Nearly 3,000 schools participate in the Perkins Loan program.

BUSINESS PROCESS GOAL

The Student Enrollment Tracking and Reporting process helps ensure that loans enter repayment on time, that interest benefits on subsidized loans are paid correctly, and that lenders and servicers have the information they need to process deferments.

BUSINESS PROCESS DESCRIPTION

Standard SSCR Process

1. Guarantors, the Direct Loan Servicer, the Department of Education's Debt Collection Service, and schools report borrower data to the National Student Loan Data System (NSLDS) on a monthly basis.

2. The NSLDS creates SSCRs for FFELP and the Direct Loan program and forwards them to schools (or schools' designated enrollment servicers).

3. Schools (or their agents) complete SSCRs by supplying the most recent enrollment status, effective dates, and other related information for each borrower listed in the report. The majority of schools request and complete SSCRs bi-monthly. A school can determine its own SSCR schedule. At minimum, schools complete rosters two times per year, but in those cases, a school must report changes in students enrollment statuses to lenders and servicers within 30 days, unless it is scheduled to complete a new SSCR within the next 60 days.

   Schools compile and report enrollment information in a variety of ways:

   - EDExpress,
   - Custom-built SSCR products,
   - Third-party enrollment reporting agents, including the National Student Loan Clearinghouse (See the Clearinghouse variation below),
   - On-line NSLDS updates, and
     - Ad-Hoc SSCR reporting

4. Schools (or their agents) return completed rosters to NSLDS through the Title IV Wide Area Network (TIVWAN).

5. NSLDS processes and distributes completed enrollment information to guarantors and the Direct Loan servicer.

6. Guarantors process and distribute the information to the designated lender/servicers.

7. FFELP lenders and servicers and the Direct Loan servicer receive the enrollment information and update borrowers' continued in-school status or schedule payment due dates for borrowers who have left school.

8. Once a borrower's payment due date is scheduled, the FFELP lender or servicer and the Direct Loan Servicer begin repayment servicing (See Repayment and Collection).

Clearinghouse SSCR variation

The Clearinghouse provides enrollment reporting services to more than 2000 schools and processes three-fourths of all enrollment transactions.

1. Schools send the Clearinghouse data files containing enrollment information for all their currently enrolled students.

2. NSLDS creates SSCR files and sends them by magnetic tape to the Clearinghouse.

3. The Clearinghouse sends a magnetic tape to NSLDS of current enrollment information supplied by schools.

4. Every week, NSLDS processes enrollment information received and transmits it via TIVWAN to the Direct Loan servicer and to guarantors (via magnetic tapes).

5. Guarantors process and send the enrollment information to lenders and servicers.

6. The Direct Loan servicer and FFELP lenders and servicers update borrowers' accounts with current enrollment information.

7. Separate from the above steps, each week the Clearinghouse also distributes enrollment information directly to certain lender/sevicers and guarantors as requested by those parties.

BUSINESS IMPACT ANALYSIS

Failure Scenarios

> **An enrollment reporting partner (school, reporting agent, guarantor, lender, servicer, or NSLDS) is unable to receive, process, and/or report enrollment information because of a Y2K system failure.**

Most schools use software products (mainframe or PC-based) to complete and transmit enrollment information to NSLDS. Typically, these transmissions are communicated through TIVWAN. All guarantors, the Direct Loan servicer, enrollment servicers, and many lender/servicers use computer systems to process enrollment information. Because of these computer system dependencies, the enrollment tracking and reporting process is vulnerable to Y2K failures.

Time Horizon to Failure

Failures could occur as early as January 3, 2000.

Normal Performance Levels

In most cases, it takes 90 days from the time NSLDS sends an SSCR to a school until the time a lender or servicer updates a borrower's account with information from the completed SSCR. It normally takes about 45 days from the time NSLDS sends an SSCR to a school until the time the Direct Loan servicer updates a borrower's enrollment information.

Emergency Performance Levels

An emergency performance level is 180 days - from the time NSLDS creates an SSCR to the time a lender or servicer updates a borrower's account - or June 30, 2000, whichever is earlier. Typically borrowers are eligible for a six-month grace period after leaving school before repayment would begin. As an example, if a failure occurs in early January, a borrower who leaves school in January would not begin repayment until July at the earliest. Therefore, an emergency performance level of 180 days or June 30, 2000, whichever is earliest, is reasonable.

Performance Level Comparison-Enrollment Tracking and Reporting

Normal Performance Levels	Emergency Performance Levels
90 days for FFELP 45 days for Direct Loans	180 days or June 30, 2000, whichever is earlier

Risk Mitigation Options

A. **Obtain Recent Enrollment Information.** ED could require schools to submit a SSCR between November 1 and December 15, 1999 to capture enrollment changes prior to January 3, 2000. Schools would include, at a minimum, the latest Anticipated Graduation Date (AGD) and any exit information about a student.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons

1. Schools already complete SSCRs on cycles of their choice. A facility exists for new rosters to be scheduled.	1. A new SSCR cycle may need to be added for some schools, adding to their overall burden.

B. **AGD Reports.** NSLDS could send AGD Reports to schools in December 1999. The report would include students whose most recently recorded Anticipated Graduation Date is between December 1999 and June 2000. Schools would update the report as necessary by providing the most accurate AGDs possible.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. Would ensure that, at minimum, borrowers' AGDs have been reported. 2. Would protect the borrowers most likely to be impacted by system failures.	1. Would require that an ad hoc report be created, generated, and processed by NSLDS and schools. 2. Schools and their agents would most likely complete the report manually, which would increase their reporting burden.

C. **Clearinghouse Recent Enrollment Information.** Require schools using the Clearinghouse as their agent to send an updated, complete enrollment file to the Clearinghouse in November 1999 in order to capture the most recent enrollment changes.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. Schools already send complete enrollment information to the Clearinghouse on cycles of their choice. A new cycle could be added.	1. A new enrollment file cycle may need to be added for some schools.

D. **Clearinghouse Back-ups.** Encourage the Clearinghouse to save all November enrollment information as back up to ensure most recent enrollment information remains available.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. The Clearinghouse may already save enrollment files as back-up protection.	

E. **Borrower Reminders.** Lender/servicers could issue reminders to borrowers of their responsibility to notify holders of current enrollment status.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons

1. Encourages borrowers to communicate with holders about current enrollment status and payment due dates. 2. Enables borrowers to correct any incorrect enrollment information a holder may have.	1. Mailing reminders to borrowers could be costly to lender/servicers.

Contingency Options

A. **Use Most Recent AGDs**. In the event NSLDS or schools are unable to process current enrollment information, FFELP lenders and servicers and the Direct Loan Servicer could be allowed to automatically place borrowers in repayment with most recently reported AGDs.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. Lenders and servicers already use last available AGD information to place borrowers in repayment.	1. Borrowers could be placed in repayment too early, and "technical default" could occur if inaccurate AGD information is used. 2. Borrowers would have to supply current enrollment information to lenders and servicers if inaccurate AGD information has been used.

B. **NSLDS Sends Most Recent Enrollment Roster.** In the event NSLDS is unable to send new rosters to schools, it could send the most recent prior enrollment roster to schools for updates/changes.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. NSLDS would be able to send the last completed enrollment roster received from schools with very little additional effort or cost.	1. The most recent enrollment information sent from a school may not be reflected on the December 1999 SSCR. A school would need to report some information again when system failures were resolved. 2. New loan recipient information may not be included on the December roster. Schools may not be able to easily add these new borrowers to the roster.

C. **Schools Resend Most Recent Enrollment Information.** In the event NSLDS is unable to send a new roster or the most recent enrollment roster, schools could re-send their December 1999 SSCRs (manually or otherwise) with current exit information, including updated AGDs.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. This option would capture current exit information and AGDs.	1. Current exit information and AGDs would likely be updated manually. 2. Could increase reporting costs for schools or their agents. 3. Could increase errors.

D. **TIVWAN Resend Most Recent Enrollment Information.** In the event NSLDS is unable to send a new roster or most recent enrollment file, and schools are unable to re-send December 1999 SSCR, TIVWAN could send most recent enrollment file to schools for updates.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. TIVWAN already has the ability to retrieve the most recent enrollment files received from schools.	1. The most recent enrollment information sent from a school may not be reflected in the TIVWAN file. A school may need to report some information again when system failures are resolved. 2. New loan recipient information may not be included in the TIVWAN file. Schools may not be able to easily add these new borrowers to the roster.

E. **Guarantors, Lenders, or Servicers Send Borrower Lists.** In the event NSLDS, TIVWAN, and schools are unable to send most recent enrollment files, guarantors, lenders, or servicers could send borrower lists to schools for updates.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. Guarantors, lenders, and servicers would have access to the most recent enrollment information sent by schools. 2. Guarantors may have retained programs used for enrollment reporting prior to the use of NSLDS for this function.	1. Guarantors, lenders, and servicers may require technical and operational changes to their enrollment systems.

F. **Use Borrower's Written or Verbal Notification.** Allow lender/servicers (including the Direct Loan servicer) to update borrowers' enrollment and loan statuses (in-school, grace period, repayment, etc.) using borrowers' verbal or written notice. Retroactive enrollment confirmation would resume when system failures are corrected.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
1. Current service levels for students would be maintained.	1. Retroactive enrollment confirmation would be required. 2. Regulatory or liability waivers would be required.

NOTE: In the event of third-party enrollment servicer failures (including failures of the Clearinghouse), OSFAP will expect schools to rely on the contingency plans developed by those enrollment servicers.

NOTE: In the event NSLDS fails to deliver any services but the Clearinghouse is operational, NSLDS could implement one or more of the contingencies outlined above for non-Clearinghouse school enrollment processing.

STUDENT ENROLLMENT TRACKING AND REPORTING

EXECUTIVE SUMMARY

Borrower enrollment tracking and reporting is vital to ensuring that borrowers begin repaying loans on schedule and that they continue to receive interest benefits during in-school and deferment periods. The enrollment tracking process is highly automated, and thus, at risk for Y2K failures.

Strategies have been developed to mitigate risk and to continue processing in the event of actual failures in the enrollment reporting business process. Risk mitigation strategies include capturing borrower most recent enrollment information by December 1999 so that lender/servicers will have the latest available information in the event there are Y2K failures after January 3, 2000. In the event of NSLDS failures after January 3, 2000, contingency options could be implemented by schools, enrollment servicers, guaranty agencies, lender/servicers, or the Direct Loan servicer to use the most recent enrollment roster to capture enrollment changes. Or, in the case of multiple failures, lender/servicers and the Direct Loan servicer could rely on and update enrollment information based on the borrower's verbal or written notice.

NOTE: The Department of Education has not made decisions about specific business process continuity/contingency plans. Preliminary plans are identified herein for discussion purposes only.

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BUSINESS PROCESS GOAL

The Student Enrollment Tracking and Reporting process helps ensure that loans enter repayment on time, that interest benefits on subsidized loans are paid correctly, and that lenders and servicers have the information they need to process deferments.

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Standard SSCR Process

2. Guarantors, the Direct Loan Servicer, the Department of Education's Debt Collection Service, and schools report borrower data to the National Student Loan Data System (NSLDS) on a monthly basis.

3. The NSLDS creates SSCRs for FFELP and the Direct Loan program and forwards them to schools (or schools' designated enrollment servicers).

4. Schools (or their agents) complete SSCRs by supplying the most recent enrollment status, effective dates, and other related information for each borrower listed in the report. The majority of schools request and complete SSCRs bi-monthly. A school can determine its own SSCR schedule. At minimum, schools complete rosters two times per year, but in those cases, a school must report changes in students enrollment statuses to lenders and servicers within 30 days, unless it is scheduled to complete a new SSCR within the next 60 days.

   Schools compile and report enrollment information in a variety of ways:

   - EDExpress,
   - Custom-built SSCR products,
   - Third-party enrollment reporting agents, including the National Student Loan Clearinghouse (See the Clearinghouse variation below),
   - On-line NSLDS updates, and
     - Ad-Hoc SSCR reporting

5. Schools (or their agents) return completed rosters to NSLDS through the Title IV Wide Area Network (TIVWAN).

6. NSLDS processes and distributes completed enrollment information to guarantors and the Direct Loan servicer.

7. Guarantors process and distribute the information to the designated lender/servicers.

8. FFELP lenders and servicers and the Direct Loan servicer receive the enrollment information and update borrowers' continued in-school status or schedule payment due dates for borrowers who have left school.

9. Once a borrower's payment due date is scheduled, the FFELP lender or servicer and the Direct Loan Servicer begin repayment servicing (See Repayment and Collection).

Clearinghouse SSCR variation

The Clearinghouse provides enrollment reporting services to more than 2000 schools and processes three-fourths of all enrollment transactions.

8. Schools send the Clearinghouse data files containing enrollment information for all their currently enrolled students.

9. NSLDS creates SSCR files and sends them by magnetic tape to the Clearinghouse.

10. The Clearinghouse sends a magnetic tape to NSLDS of current enrollment information supplied by schools.

11. Every week, NSLDS processes enrollment information received and transmits it via TIVWAN to the Direct Loan servicer and to guarantors (via magnetic tapes).

12. Guarantors process and send the enrollment information to lenders and servicers.

13. The Direct Loan servicer and FFELP lenders and servicers update borrowers' accounts with current enrollment information.

14. Separate from the above steps, each week the Clearinghouse also distributes enrollment information directly to certain lender/sevicers and guarantors as requested by those parties.

BUSINESS IMPACT ANALYSIS

Failure Scenarios

> **An enrollment reporting partner (school, reporting agent, guarantor, lender, servicer, or NSLDS) is unable to receive, process, and/or report enrollment information because of a Y2K system failure.**

Most schools use software products (mainframe or PC-based) to complete and transmit enrollment information to NSLDS. Typically, these transmissions are communicated through TIVWAN. All guarantors, the Direct Loan servicer, enrollment servicers, and many lender/servicers use computer systems to process enrollment information. Because of these computer system dependencies, the enrollment tracking and reporting process is vulnerable to Y2K failures.

Time Horizon to Failure

Failures could occur as early as January 3, 2000.

Normal Performance Levels

In most cases, it takes 90 days from the time NSLDS sends an SSCR to a school until the time a lender or servicer updates a borrower's account with information from the completed SSCR. It normally takes about 45 days from the time NSLDS sends an SSCR to a school until the time the Direct Loan servicer updates a borrower's enrollment information.

Emergency Performance Levels

An emergency performance level is 180 days - from the time NSLDS creates an SSCR to the time a lender or servicer updates a borrower's account - or June 30, 2000, whichever is earlier. Typically borrowers are eligible for a six-month grace period after leaving school before repayment would begin. As an example, if a failure occurs in early January, a borrower who leaves school in January would not begin repayment until July at the earliest. Therefore, an emergency performance level of 180 days or June 30, 2000, whichever is earliest, is reasonable.

Performance Level Comparison-Enrollment Tracking and Reporting

Normal Performance Levels	Emergency Performance Levels
90 days for FFELP	180 days or June 30, 2000, whichever is
45 days for Direct Loans	earlier

Risk Mitigation Options

A. **Obtain Recent Enrollment Information.** ED could require schools to submit a SSCR between November 1 and December 15, 1999 to capture enrollment changes prior to January 3, 2000. Schools would include, at a minimum, the latest Anticipated Graduation Date (AGD) and any exit information about a student.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons

2. Schools already complete SSCRs on cycles of their choice. A facility exists for new rosters to be scheduled.	2. A new SSCR cycle may need to be added for some schools, adding to their overall burden.

C. **AGD Reports.** NSLDS could send AGD Reports to schools in December 1999. The report would include students whose most recently recorded Anticipated Graduation Date is between December 1999 and June 2000. Schools would update the report as necessary by providing the most accurate AGDs possible.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
3. Would ensure that, at minimum, borrowers' AGDs have been reported.	3. Would require that an ad hoc report be created, generated, and processed by NSLDS and schools.
4. Would protect the borrowers most likely to be impacted by system failures.	4. Schools and their agents would most likely complete the report manually, which would increase their reporting burden.

D. **Clearinghouse Recent Enrollment Information.** Require schools using the Clearinghouse as their agent to send an updated, complete enrollment file to the Clearinghouse in November 1999 in order to capture the most recent enrollment changes.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. Schools already send complete enrollment information to the Clearinghouse on cycles of their choice. A new cycle could be added.	2. A new enrollment file cycle may need to be added for some schools.

E. **Clearinghouse Back-ups.** Encourage the Clearinghouse to save all November enrollment information as back up to ensure most recent enrollment information remains available.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. The Clearinghouse may already save enrollment files as back-up protection.	

F. **Borrower Reminders.** Lender/servicers could issue reminders to borrowers of their responsibility to notify holders of current enrollment status.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons

3. Encourages borrowers to communicate with holders about current enrollment status and payment due dates. 4. Enables borrowers to correct any incorrect enrollment information a holder may have.	2. Mailing reminders to borrowers could be costly to lender/servicers.

Contingency Options

B. **Use Most Recent AGDs**. In the event NSLDS or schools are unable to process current enrollment information, FFELP lenders and servicers and the Direct Loan Servicer could be allowed to automatically place borrowers in repayment with most recently reported AGDs.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. Lenders and servicers already use last available AGD information to place borrowers in repayment.	3. Borrowers could be placed in repayment too early, and "technical default" could occur if inaccurate AGD information is used. 4. Borrowers would have to supply current enrollment information to lenders and servicers if inaccurate AGD information has been used.

C. **NSLDS Sends Most Recent Enrollment Roster.** In the event NSLDS is unable to send new rosters to schools, it could send the most recent prior enrollment roster to schools for updates/changes.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. NSLDS would be able to send the last completed enrollment roster received from schools with very little additional effort or cost.	3. The most recent enrollment information sent from a school may not be reflected on the December 1999 SSCR. A school would need to report some information again when system failures were resolved. 4. New loan recipient information may not be included on the December roster. Schools may not be able to easily add these new borrowers to the roster.

D. **Schools Resend Most Recent Enrollment Information.** In the event NSLDS is unable to send a new roster or the most recent enrollment roster, schools could re-send their December 1999 SSCRs (manually or otherwise) with current exit information, including updated AGDs.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. This option would capture current exit information and AGDs.	4. Current exit information and AGDs would likely be updated manually. 5. Could increase reporting costs for schools or their agents. 6. Could increase errors.

E. **TIVWAN Resend Most Recent Enrollment Information.** In the event NSLDS is unable to send a new roster or most recent enrollment file, and schools are unable to re-send December 1999 SSCR, TIVWAN could send most recent enrollment file to schools for updates.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. TIVWAN already has the ability to retrieve the most recent enrollment files received from schools.	3. The most recent enrollment information sent from a school may not be reflected in the TIVWAN file. A school may need to report some information again when system failures are resolved. 4. New loan recipient information may not be included in the TIVWAN file. Schools may not be able to easily add these new borrowers to the roster.

F. **Guarantors, Lenders, or Servicers Send Borrower Lists.** In the event NSLDS, TIVWAN, and schools are unable to send most recent enrollment files, guarantors, lenders, or servicers could send borrower lists to schools for updates.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
3. Guarantors, lenders, and servicers would have access to the most recent enrollment information sent by schools. 4. Guarantors may have retained programs used for enrollment reporting prior to the use of NSLDS for this function.	2. Guarantors, lenders, and servicers may require technical and operational changes to their enrollment systems.

G. **Use Borrower's Written or Verbal Notification.** Allow lender/servicers (including the Direct Loan servicer) to update borrowers' enrollment and loan statuses (in-school, grace period, repayment, etc.) using borrowers' verbal or written notice. Retroactive enrollment confirmation would resume when system failures are corrected.

Pros and Cons-Enrollment Tracking and Reporting

Pros	Cons
2. Current service levels for students would be maintained.	3. Retroactive enrollment confirmation would be required. 4. Regulatory or liability waivers would be required.

NOTE: In the event of third-party enrollment servicer failures (including failures of the Clearinghouse), OSFAP will expect schools to rely on the contingency plans developed by those enrollment servicers.

NOTE: In the event NSLDS fails to deliver any services but the Clearinghouse is operational, NSLDS could implement one or more of the contingencies outlined above for non-Clearinghouse school enrollment processing.

GUARANTOR AND LENDER PAYMENTS

EXECUTIVE SUMMARY

The Education Department (ED) is required by law to make certain payments to FFELP guarantors and lenders, which help support lender and guarantor services to borrowers. Because the process for making these payments relies on automated systems in several ways, Y2K failures could cause significant business impact on the FFELP community and ultimately on the nation's students. Further, ED could be at risk for the costs associated with the payment of penalty interest to lenders (as required by law).

Strategies have been developed to ease the impact of a Y2K failure on the FFELP community. The primary risk mitigation strategy would be to require lenders and guarantors to submit any outstanding 1999 requests for payment by December 10, 1999. This would allow ED to issue payments prior to January 3, 2000. The primary contingency options being considered, in the event of an ED FFEL System failure, include manually reviewing, authorizing and making payments on the basis of historical payment information.

NOTE: The Department of Education has not made decisions about specific business process continuity/contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

In federal fiscal year 1998, ED authorized payments to guarantors in excess of $2.4 billion and to lenders in excess of $2 billion. Currently, lenders (or their designated servicers) service a combined outstanding loan portfolio of about $110 billion. In addition, guarantors paid about $3 billion to lenders for borrower claims (includes default, death, disability, and bankruptcy claims).

There are about 6,100 active lenders participating in the FFELP. Over 80 percent of all loans to students are made by 100 lenders. Consequently, ED issues 80 percent of all lender payments to these "top 100" lenders. ED receives approximately 7,000 ED Form 799s ("799s") from lenders each quarter. Many lenders submit multiple 799s forms for separate portfolios with unique Lender Identification Numbers (LID). Lenders may also file corrections to previously submitted 799s. On average, 12 percent of all 799s are rejected for correction each quarter.

There are 37 active guarantors participating in the FFELP. ED receives a monthly ED Form 1189 ("1189") and a quarterly ED Form 1130 ("1130") from

each guarantor. On average, three guarantor reports are rejected for corrections each month.

With the passage of the Higher Education Act amendments (HEA) in October 1998, two new fees will be paid by ED to guarantors, beginning with fiscal year 1999. These fees will be calculated based on information submitted monthly by guarantors to the National Student Loan Data System (NSLDS).

BUSINESS PROCESS GOAL

ED must make accurate and timely payments to guarantors and lenders as required by law. ED must also obtain and maintain appropriate data and records in support of these payments.

BUSINESS PROCESS DESCRIPTION

The Guarantor and Lender Payments Business Process consists of three major sub-processes:

A. Lender Payments
B. Guarantor Payments
C. Lender Claim Payments.

Payments are provided to lenders for interest benefit payments on loans when the student is in-school and special allowance payments throughout the life of a loan. Guarantors receive the following fees:

- Reinsurance payments for claim reimbursements paid to lenders.
- Loan Processing and Issuance Fee (LPIF) calculated as a percent of the total principal amount of originated loans.
- Account Maintenance Fee (AMF) calculated as a percent of the original principal balance of guaranteed loans outstanding.

1. Payments to lenders are based on valid 799s (paper report or electronic transmission) filed by the lenders each quarter. Claim reinsurance payments to guarantors are based on receipt of a valid 1189 Form (paper report) from the guarantor each month. On a monthly basis, guarantors submit loan detail information to NSLDS, which will enable ED to calculate LPIF and AMF fees.

2. OSFAP enters 799 and 1180 data into its FFEL system, edits the data, performs reasonability checks, and approves or denies payment. On a quarterly basis, ED calculates LPIF and AMF amounts using NSLDS data.

3. OSFAP provides payment information to the Office of the Chief Financial Officer (OCFO) for financial management and payment certification.

4. OCFO certifies payments and forwards payment information to Treasury.

5. Treasury makes payment.

6. Treasury provides OSFAP with payment confirmation.

BUSINESS IMPACT ANALYSIS

Lender Payment Sub-process

Failure Scenarios

Lenders are not able to submit 799s or the FFEL system cannot edit or authorize payments to lenders.

On a quarterly basis, lenders generate paper 799s based on loan statuses and balances recorded in its servicing systems. A small number of lenders electronically submit 799 Forms. OSFAP enters the 799 data into its FFEL System. All editing, payment authorizations, and reimbursements rely on OSFAP's highly automated FFEL System. Because of these computer system dependencies, the Lender Payment Sub-process is vulnerable to Y2K failures. Further, if payments to lenders can not be made within 30 days of 799 receipt, ED must pay interest penalties for each day thereafter. This federal cost is estimated to be $5 million for 30 days of interest penalties for all lenders.

Time Horizon to Failure

Failures could be realized as early as January 3, 2000.

Normal Performance Level

Normal performance levels are 30 days from OSFAP's receipt of a completed 799 from a lender to Treasury's payment to the lender.

Emergency Performance Level

For purposes of Y2K business continuation planning, an emergency performance level is defined as 30 days from receipt of a completed 799 Form from the top 100 highest volume lenders until a payment is issued. The emergency performance level for all other lenders is 60 days from receipt of 799 Form until payment is issued.

Performance Level Comparison-Lender Payments

Normal Performance Level	Emergency Performance Level
30 days for all lenders	30 days for top 100 volume lenders; 60 days for all other lenders

Risk Mitigation Options

A. **Implement Submission Cut-off.** To mitigate a lender's failure to generate 799s, or a failure of the FFEL system in processing 799s, require lenders to submit the September 1999 (third quarter) 799 and all outstanding corrections for previously submitted 799s by December 10, 1999. This would allow 799s for this period to be processed and payments to be made prior to January 3, 2000.

Pros and Cons-Lender Payments

Pros	Cons
1. Lender payments would be successfully made prior to January 3, 2000. 2. This would require no additional cost to implement.	

B. **Payment History Back-Ups.** To mitigate against a FFEL system data warehouse failure, ED could create history payment back-ups.

Pros and Cons-Lender Payments

Pros	Cons
1. Lender payment history would not be lost.	

C. **Postpone Corrections and Adjustment Processing.** To mitigate either a failure in lender systems or the FFEL system in recognizing prior quarter adjustments, postpone adjustment processing for the first quarter of 2000.

Pros and Cons-Lender Payments

Pros	Cons
1. Removing this concern would ease administrative burdens and allow lenders and OSFAP to focus only on the priority of processing current 799 data.	1. Lender payments for prior quarters would be delayed.

Contingency Options

A. **Manually Process 799s.** In the event of a FFEL System failure in editing 799 data and authorizing payments, OSFAP could manually process 799s.

Pros and Cons-Lender Payments

Pros	Cons
1. Lender payments would be made. 2. Federal interest penalty costs would be reduced since top 100 lenders would be paid on time.	1. Would require additional ED resources. 2. Would require the lender to submit a 799. This could be problematic if the lender experiences an inability to create the 799 due to a Y2K failure. 3. Federal interest penalty payments would be made to those lenders not in the top 100 list if payments can not be manually processed within 30 days.

B. **Pay on Historical Information.** In the event of a FFELP System failure, ED could pay lenders based on historical payment information provided the lender has submitted a valid 799. Subsequent adjustments would be required once the failure has been resolved and lenders 799s has been processed.

Pros and Cons-Lender Payments

Pros	Cons
1. Payments to lenders would be made.	1. Subsequent adjustments would be required once the system failure had been resolved. ED would have to process a large volume of backlogged 799s. This could require additional ED staffing and training, and/or cause subsequent delays in 799 processing. 2. This option may require Treasury authorization to make payments based on historical information.

C. **Paper 799s for Electronic Submissions.** In the event of a lender's inability to submit an electronic 799 report, a lender could submit a paper 799 report.

Pros and Cons-Lender Payments

Pros	Cons
1. Payments to lenders would be made.	1. Payment delays could occur. 2. This could increase lenders' and ED's processing costs.

D. **Alternative Payment Certification.** To mitigate an OCFO inability to certify payments to lenders, ED could develop a process to certify payments directly to Treasury.

Pros and Cons-Lender Payments

Pros	Cons
1. Payments to lenders would be made.	

Guarantor Payment Sub-process

Failure Scenarios

Guarantors are not able to submit 1189/1130s, the FFEL System and NSLDS cannot edit data or calculate payment authorizations for guarantors.

On a monthly basis, guarantors generate paper 1189 based on claim payment and collections data recorded in their systems. Quarterly, guarantors generate paper 1130s containing detailed loan data. ED enters data from paper reports into its FFELP System. All editing, payment authorizations, and reimbursements rely on this system. In addition, NSLDS calculates guarantor fees based on guarantor's previously submitted data. Because of these computer system dependencies, the Guarantor Payment sub-process is at risk for Y2K failures.

Time Horizon to Failure

Failures could be realized on January 3, 2000.

Normal Performance Levels

The normal performance level is 30 days from ED's receipt of a completed 1189 and 90 days for 1130s until Treasury's payment to the guarantor. Payments based on NSLDS calculations are expected to be made between 30 and 45 days from the guarantor's most recent monthly NSLDS submission to Treasury's payment to the guarantor.

Emergency Performance Levels

For purposes of Y2K business continuation planning, an emergency performance level is defined as 60 days from receipt of an 1189 and 180 days from receipt of an 1130 until a payment is made. An emergency performance level for payments based on NSLDS calculations is defined as 180 days from the guarantor's most recent monthly NSLDS submission until a payment is made.

Performance Level Comparison-Guarantor Payments

Normal Performance Level	Emergency Performance Level
30 days 1189 Forms	60 days 1189 Forms
90 days 1130 Forms	180 days 1130 Forms
30-45 days NSLDS Calculations	180 days NSLDS Calculations

Risk Mitigation Options

A. **Implement Submission Cut-off.** To mitigate a guarantor's failure to generate the 1189 or 1130, or a failure of the FFEL system in processing 1189 or 1130s, require guarantors to submit the September 1999 quarter 1130, 1189 monthly reports through October 1999, and any outstanding corrections for previously submitted reports-- by December 1, 1999. This would allow reports to be processed and payments to be made prior to January 3, 2000.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Guarantors payments would be successfully made prior to January 3, 2000. 2. This would require no additional cost to implement.	

B. **Payment History Back-Ups.** To mitigate against a FFEL system data warehouse or NSLDS failure, ED could create history payment back-ups.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Guarantor payment history would not be lost.	

C. **Postpone Corrections and Adjustment Processing.** To mitigate either a failure in guarantor systems or the FFEL system in recognizing

prior quarter adjustments, postpone adjustment processing for the first quarter of 2000.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Removing this concern would allow guarantors and OSFAP to focus only on the priority of processing current 1189/1130 data.	1. Guarantor payments for prior quarters would be delayed.

Contingency Options

A. **Manually Process 1189s and 1130s.** In the event of a FFEL System failure in editing data and authorizing payments, OSFAP could manually process 1189s and 1130s.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Guarantor payments would be made.	1. Would require additional ED resources. 2. A guarantor would be required to submit a 1189 or 1130 report. This could be problematic if a guarantor experiences an inability to create the report due to Y2K failures. 3. Payment delays may occur. 4. Could increase errors.

B. **Pay on Historical Information.** In the event of a FFELP System failure, an NSLDS failure, or a failure in a guarantor's system, ED could pay guarantors based on historical payment information. Subsequent adjustments would be required once the failure has been resolved and guarantors 1189, 1130, and NSLDS calculations have been processed.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Payments to guarantors would be made.	1. Subsequent adjustments would be required once the system failure had been resolved. ED would have to process a large volume of backlogged 1189 and 1130s. This could require additional ED staffing and training, and/or cause subsequent delays in 1189 and 1130 processing. 2. This option may require Treasury authorization to make payments based on historical information.

C. **Transfer Funds from Federal Fund to Operating Fund.** In the event of a failure in the FFEL Systems, ED could allow an agency to transfer amounts from its Federal Fund to its Operating Fund. The agency would repay borrowed funds with interest.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Guarantors would have sufficient operating funds.	1. A statutory change or non-enforcement would be required on a case by case basis depending on an evaluation of the steps the entity took. 2. Guarantors would be required to repay amounts transferred including interest on amounts borrowed.

D. **Reduced Federal Fund Minimums.** In the event of a failure in the FFEL Systems, ED could provide relief to agencies by reducing Federal Fund minimums.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Guarantors would have sufficient funds for Federal Fund activities without concerns about minimum Federal Fund levels.	1. A statutory change or non-enforcement may be required.

E. **Alternative Payment Certification.** To mitigate an OCFO inability to certify payments to guarantors, ED could develop a process to certify payments directly to Treasury.

Pros and Cons-Guarantor Payments

Pros	Cons
1. Payments to guarantors would be made.	

Lender Claims Sub-process

Failure Scenarios

Guarantors may be unable to pay lender default claims. This would create cash flow problems for lenders, could impact a lender's ability to disburse new loans to students, and could impact the long-term collectability of the loan.

Time Horizon to Failure

Failures could be realized on January 3, 2000.

Normal Performance Levels

Normal performance levels are 45 days from a Guarantor's receipt of a default claim from the lender until payment is made.

Emergency Performance Levels

An emergency performance level is 120 days from a guarantor's receipt of the default claim from the lender until payment is issued to the lender.

Performance Level Comparison-Lender Claims

Normal Performance Level	Emergency Performance Level
45 days	120 days

Risk Mitigation Options

A. **Earlier Submission Dates.** To mitigate either failures in lenders' system in preparing claims or failures in guarantor systems in reviewing and paying claims, guarantors could encourage lenders to set their claim filing thresholds to earlier dates to allow as many claims as possible to be reviewed and paid prior to January 3, 2000.

Pros and Cons-Lender Claim Payments

Pros	Cons
1. Lenders would receive timely reimbursement on their claims.	1. The earlier filing of claims could increase default rates by compressing lenders' opportunities to avert defaults.

Contingency Options

A. **Review Claims Manually.** In the event of a guarantor's inability to systematically review claims due to a Y2K failure, the guarantor could review claims manually.

Pros and Cons-Lender Claim Payments

Pros	Cons
1. Lenders would be reimbursed.	1. Additional guarantor staffing and training would be required. 2. The more time-consuming manual review process might cause delays in claim payments to lenders. 3. Manual reviews could increase errors

B. **ED Pays Claims Directly to Lenders.** In the event of a guarantor's inability to make claim payments to lenders due to a Y2K failure, ED could make claim payments to lenders on behalf of the guarantor.

Pros and Cons-Lender Claim Payments

Pros	Cons
1. Lenders continue to receive reimbursement of their claims. 2. ED can easily adjust its 799 lender payment process.	1. Guarantors must be able to review lender claims and only approved claims will be paid by ED. 2. Guarantors must repay ED plus interest as an adjustment to 1189/1130. 3. Statutory change would be required on a case by case basis depending on an evaluation of the steps the entity took.

REPAYMENT AND COLLECTION

EXECUTIVE SUMMARY

The Department of Education conducts two major collection and repayment processes that support a $50 billion loan and grant portfolio. The number of dollars and daily transactions is so large that interim manual processing generally is not a feasible alternative.

In the first 30 days after a failure, the final 1999 data would be reused to continue the process. After 30 days a longer-term solution would be to transfer the data to another Y2K compliant servicers or outside collection agencies. This servicer / agency would service the loans with updated information until the system failure is fixed. The debt collection process would also use increased manual processing and additional processing by collection agency sub-contractors.

NOTE: The department of Education has not made decisions about specific business process continuity / contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

Accurate and up-to-date borrower information is necessary to assure that federal assets of $50 billion are protected and that the current credit status of borrowers' loans and borrowers eligibility to receive further federal student aid is protected. ED uses two loan repayment/collection processes to support the repayment of Federal Family Educational Loans, Direct Loans, Perkins Loans, and grant overpayments.

The repayment/collection processes are:

The **Direct Loan Service System (DLSS)** is responsible for servicing of Direct Loans. This process is designed to support:
- Management of loan repayment
- Reporting the status of these loans to federal agencies and federal financial aid delivery partners
- Assistance to borrowers with information about their loans
- Informing borrowers of repayment programs for which they may be eligible (based on their repayment history)

The **Debt Collection Service (DCS)** is responsible for the collection of seriously delinquent (defaulted) federal loans and overawards of federal grants. This process is designed to support:

- Management of loan repayment
- Transferring of delinquent loans from other sources
- Reporting the status of these loans to federal agencies and federal financial aid delivery partners
- Assistance to borrowers with information about their delinquent or previously delinquent loans
- Rehabilitation of borrowers who have shown dependable repayment of their previously delinquent loans
- Utilization of specialized tools to recover federal assets when borrowers remain delinquent

BUSINESS PROCESS GOAL

The goal of this business process is to facilitate on-time student loan repayment, to minimize the incidence of default, and to facilitate the collection of defaulted student loans and other obligations (e.g. overpayments of grant aid).

BUSINESS PROCESS DESCRIPTION

There are five similar business sub-processes for DLSS and DCS:
1. Accounts Receivable / Booking: the initial set-up of the account in the system
2. Billing: the process of producing and sending bills to borrower
3. Payment Processing: the process of receiving and posting payments to accounts
4. Account Maintenance: the process of keeping information about the borrower, the balance of the account, and the status of the loan current
5. Borrower Contact: maintaining contact with the borrower

These five sub-processes constitute the core of the repayment/collection activities of the Department of Education (ED). These sub-processes are dependent on one another in a cyclical course of repayment.

In addition, there are reporting functions that inform ED and outside systems of a borrower's repayment and credit status. These are:
- The National Student Loan Data System (NSLDS): reporting the borrower's repayment /default status.
- National Credit Bureaus: reporting the borrower's credit status.

BUSINESS IMPACT ANALYSIS

Direct Loan Servicing System (DLSS)

Billing Sub-process

Failure Scenarios

Borrowers do not receive bills.

DLSS cannot produce or send bills to borrowers.

If the billing process fails, the accrual of interest and bills to borrowers would stop. This is viewed as extremely disruptive to the program and borrowers. Without bills, the major source of information to borrowers would be lost. It is assumed that if a borrower does not receive a bill on a periodic basis, the borrower will not submit payments on a regular basis.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for the billing process is to produce, print, and mail bills 20 days before the bill's due date, so that borrowers receive bills 15 days before their due dates.

Emergency Performance Level

The emergency performance level for complete failure of the billing process is for borrowers to receive bills 30 days before their due dates.

Performance Level Comparison – Bills

Normal Performance Level	Emergency Performance Level
Printed Bills: bills received by borrower 15 days before its due date	30 days

Risk Mitigation Options

None.

Contingency Options

A. **Use the most recent and accurate copy of account data to produce borrower bills.** If DLSS is unable to produce and send bills

to the borrower, ED would run the most recent and accurate billing cycle repeatedly until normal operations resume. A mailing insert would be included with the bills explaining the problem with the balances reflected on those statements.

Pros and Cons - Bills

Pros	Cons
1. This would help maintain the steady inflow of payments. 2. This would allow for the billing process to continue at least in an abbreviated manner until the system failure is rectified.	1. In an extended failure, payments made to accounts after a billing failure would not be reflected. 2. This would cause significant accuracy problems with borrower data. 3. The lack of accurate bills may cause borrowers to stop sending payments until the failure is corrected. 4. This would be an interim solution and would not sustain the billing process through an extended failure. 5. Incorrect bills would increase the call volumes at the federal call centers.

Payment Processing Sub-process

The payment process requires three components in order to perform properly. These are the Payment process (the portion of the servicing system that applies payment data to borrowers accounts), the "Lockbox" (a contractor for the data entry of the payment data and check depositing), and the receipt and application of ADE payments (electronic funds transfer from the borrower's checking account to the Treasury).

Failure Scenarios

Payments are not applied to borrower's account.

DLSS fails to receive and post payments from the borrowers.   Payments must be deposited and credited timely against the borrower's account. A failure of the payment processing process would affect the borrower's balance by accruing inaccurate interest and incorrect loan balances.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

<u>Normal Performance Level</u>

Payments are normally posted within 24 hours. In unusual circumstances, payments that are not posted within 24 hours would be backdated to the date the payment was received.

Emergency Performance Level

The emergency performance level for a failure of the payment process is to post payment to the borrower's account within 30 days.

Performance Level Comparison – Payments

Normal Performance Level	**Emergency Performance Level**
24 hours	30 days

Risk Mitigation Options

None.

Contingency Options

A. **Deposit checks and post to the date received after the failure.** If DLSS were unable to receive and post payments, ED would deposit checks and post payments to reflect the date the check was received when the system is fixed.

Pros and Cons – Payments

Pros	Cons
1. Deposits continue to be made promptly. 2. Payments made during a failure would be backdated to the actual receipt date after a failure.	1. Borrowers would receive incorrect information because the bill would not reflect payments made to an account during the failure.

B. **Transfer servicing to another servicer.** If DLSS were unable to receive and post payments, ED would transfer the servicing to another servicing system which is Y2K compliant.

Pros and Cons—Payments

Pros	Cons
1. Full servicing of accounts would continue without hardship to the borrower.	1. Transferring accounts is complex, and there are opportunities for errors. 2. There are costs associated with setting up another servicing system. 3. The development time for another system may be longer than the time available between now and January

	3, 2000.
	4. It may not be possible or feasible to transfer accounts back to the original servicer after its system has been corrected.
	5. This option relies on electronic processes that are subject to Y2K failures.

Failure Scenario

Lockbox system fails.

DLSS cannot receive payment information because the "Lockbox" data system fails. ED may not be able to collect money or show payments made to a borrower's account.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for receiving payment information from the Lockbox is the same day.

Emergency Performance Level

The emergency performance level for failure of the payment process is to receive information from Lockbox within 30 days.

Performance Level Comparison – Payments

Normal Performance Level	**Emergency Performance Level**
Same Day	30 days

Risk Mitigation Options

None.

Contingency Options

A. **Use manual system to enter exceptions.** If the "lockbox" data system fails, the lockbox contractor would expand the use of current manual data entry procedures used to enter exceptions and special circumstances.

Pros and Cons – Payments

Pros	Cons
1. Utilizes a current manual data entry for "lockbox" functions.	1. The current manual data entry process does not have sufficient processing capacity to continue as the sole process for payment receipt for an extended period of time. 2. This option would incur additional cost. 3. This option requires significant pre-failure design before implementation. 4. Manual processes are more prone to errors than automatic processes.

B. **Use manual system to enter payment data.** If the "lockbox" data system fails, the "lockbox" contractor would increase its staff and resources to use current manual process to key-in checks.

Pros and Cons – Payments

Pros	Cons
1. Utilizes currently available processes.	1. Manual data entry of all checks would not sustain the sub-process, given the volume of checks that are received. 2. This alternative would not be adequate for an extended period of failure. 3. Manual processes are more prone to error than are automated processes. 4. Additional data entry personnel would be an additional cost.

C. **Use another "lockbox" contractor.** If the "lockbox" data system fails, ED would shift to an alternative lockbox vendor assigned by the Treasury.

Pros and Cons – Payments

Pros	Cons
1. This option would add a process redundancy to this critical business process.	This option relies on electronic processes that are subject to Y2K failures. ED does not control the assignment of lockbox contractors. This contingency requires advanced contractual arrangements prior to a failure.

Failure Scenarios

Electronic funds transfer between the borrower and DLSS fails.

ED is unable to place a borrower in the Electronic Data Access (EDA) process or obtain the borrower's monthly payment. The ability to place a borrower on EDA process or the ability to obtain a borrower's monthly payment fails.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for Electric Data Access (EDA) process is 7 days.

Emergency Performance Level

The emergency performance level for a complete failure of the EDA process is 30 days.

Performance Level Comparison – Payments

Normal Performance Level	**Emergency Performance Level**
7 days	30 days

Risk Mitigation Options

A. **Eliminate any EDA backlog prior to January 1, 2000.** To mitigate the risk of an EDA process failure, ED would process all new EDA applications and payments on hand prior to 12/31/99.

Pros and Cons – Payments

Pros	Cons
1. This would assure that all accounts received prior to 1/1/2000 would be processed.	1. This mitigation would not provide for the processing of new payments. 2. This is a temporary solution. It would not be adequate for an extended period of failure.

Contingency Options

A.   **Request paper checks from the borrower.** If the EDA process fails, ED would request paper check payments from the borrower until after the failure.

Pros and Cons – Payments

Pros	Cons
1. This would utilize a current lockbox contractor procedure of paper check processing which is independent from the EDA process.	1. It would be difficult to inform borrowers accustomed to using EDA to change to writing and mailing paper checks.

Account Maintenance Sub-process

Failure Scenarios

ED is unable to maintain current information about a borrower's account.

If the ability to maintain current information on a borrower fails, current information about activities on that account will not be reflected and activities that affect the status of the loan will not update older information.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for account maintenance is updating the account the same day.

Emergency Performance Level

The emergency performance level for a failure of the payment process is to update the account within 30 days.

Performance Level Comparison – Account Maintenance

Normal Performance Level	**Emergency Performance Level**
Same Day	30 days

Risk Mitigation Options

A. **Process all backlogs.** To mitigate the risk of failure to maintain a borrower's account, ED would process all backlogs and updates prior 12/31/1999 to assure all accounts are accurate as of 12/31/1999.

Pros and Cons – Account Maintenance

Pros	Cons
1. This would assure that all information	1. This mitigation option would affect

that was received about borrowers prior to a failure is reflected on their accounts.	relatively few accounts. 2. This would not sustain the business process in a prolonged failure.

Contingency Options

A. **Manually maintain DLSS accounts.** If account maintenance fails, the automated system would be replaced with a manual process. This manual process would include such procedures as visually inspecting change of address forms and returning those that are incomplete.

Pros and Cons – Account Maintenance

Pros	Cons
1. Allows the process to continue without relying on an automated process.	1. This option would not sustain the business process in a prolonged failure. 2. This option would require additional processing time. 3. Manual process may be prone to greater error than are automated processes. 4. This option would increase resources and costs.

Borrower Contact Sub-process

Failure Scenarios

DLSS is unable to contact or be contacted by borrowers.

The information critical to making and receiving payments would not be available to the borrower. Further, information about eligibility for federal aid and credit reporting would be incorrect.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

Generally, the calls are answered instantaneously, and letters are handled within 24 hours.

Emergency Performance Level

The emergency performance level for borrower contact is the same day performance.

Performance Level Comparison – Borrower Contact

Normal Performance Level	**Emergency Performance Level**
Same day	Same

Risk Mitigation Options

None.

Contingency Options

A. **Use phones to contact data center.** If access to borrower fails, ED would use other available means such as phone calls to the data center to access information on a borrower and call or email the borrower with the information.

Pros and Cons – Borrower Contact

Pros	Cons
1. The borrower would receive the information needed.	1. This option would not be feasible to handle the current volume.
	2. This option requires additional resources and could overburden the current resources.
	3. Intervention processes where information is obtained second-hand are prone to error.

B. **Use most current information prior to a failure.** If access to borrower fails, ED would create a "snapshot" of the database prior to 1/1/2000 and use the information to inform the borrower.

Pros and Cons – Borrower Contact

Pros	Cons
1. The most current borrower address and information would be available to proceed with borrower contact.	1. Depending on the length of failure, information would not remain useful for an extended period of time.
	2. There would be no access to new information.
	3. It would be difficult to capture new information without an automated process.

<u>*Booking Sub-process*</u>

Failure Scenarios

LO/LC cannot send information.

The LO/LC is unable to send origination data to DLSS, therefore, DLSS is unable to book either Direct Loans or Direct Consolidation Loans. This would result in DLSS being unable to place Direct Loans and Direct Consolidation Loans into repayment.

<u>Time Horizon to Failure</u>

The failure could occur as early as January 3, 2000.

<u>Normal Performance Level</u>

<u>Normal performance level for borrower booking is daily.</u>

Emergency Performance Level

The emergency performance level for borrower booking is 30 days.

Performance Level Comparison – Booking

Normal Performance Level	**Emergency Performance Level**
Daily	30 days

Risk Mitigation Options

A. **Process all available data early.** To mitigate the risk of LO/LC unable to send data, ED would assure that the most current information is processed by the LO/LC prior to 1/1/2000 is available prior to 1/1/2000.

<u>Pros and Cons – Booking</u>

Pros	**Cons**
1. This option would allow for the most current bookings to continue.	1. This option would not reflect the addition of new accounts. 2. Accounts not going into repayment on a timely basis would allow borrowers to make payments to their accounts. 3. If a borrower that is not booked in the system makes a payment, the check would be deposited but the payment

	would not be credited against the account.
	4. Interest would continue to accrue on the borrower's account.
	5. Accounts not going into repayment on a timely basis would lead to a greater number of defaults

B. **Encourage early applications for loans.** To mitigate the risk of the LO/LC being unable to send data, ED would encourage students who are applying for the first loan of the academic year during the Winter/Spring terms to apply in the fall.

Pros and Cons – Booking

Pros	Cons
1. This option would allow for most loans to be booked prior to a failure.	1. This option would not sustain the booking process in an extended failure.
	2. This option would not reflect the addition of new accounts.
	3. Accounts not going into repayment on a timely basis would allow borrowers to make payments to their accounts.
	4. If a borrower that is not booked in the system makes a payment, the check would be deposited but the payment would not be credited against the account.
	5. Interest would continue to accrue on the borrower's account.
	6. Accounts not going into repayment on a timely basis would lead to a greater number of defaults.

Contingency Options

None.

Debt Collection Service (DCS)

Billing Sub-process

Failure Scenario

Borrowers do not receive bills.

DCS cannot produce or send bills to borrowers.

If the billing process fails, the accrual of interest and bills to borrowers would stop. This is viewed as extremely disruptive to the program and borrowers. Without bills, the major source of information to borrowers would be lost. It is assumed that orderly payments would be seriously effected.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for the billing process is to produce, print, and mail bills 20 days before the bill's due date, so that borrowers receive bills 15 days before their due dates.

Emergency Performance Level

The emergency performance level for complete failure of the billing process is for the borrower to receive the bill 5 days before its due date.

Performance Level Comparison - Billing

Normal Performance Level	**Emergency Performance Level**
Printed Bills - bills received by borrower 15 days before its due date	5 days

Risk Mitigation Options

A.   **Assure most current information is available.**   To mitigate the risk of failure to produce and send bills to borrower, ED would assure that the most current information is available prior to 1/1/2000. This is to maintain, at minimum, a record of the most current information prior to a failure of the billing system.

Pros and Cons – Billing

Pros	**Cons**
1. This information will be the best information available if there is a core system failure in January 2000. It can be used to produce a revised bill format in a failure.	1. This information will not reflect any payments posted to accounts after a failure. In any case, payments sent will not be reflected on the statement sent to the borrower.

Contingency Options

A.   **Allow outside collection agencies to process bills.** If DCS is unable to produce and send bills to borrower, ED would allow current outside collection agencies to set up accounts and bill those and current accounts until the DCS failure is over.

Pros and Cons – Billing

Pros	Cons
1. Allows for the full servicing of those accounts to continue.	1. Decentralizing processes may cause additional errors. 2. Transferring servicing responsibilities can cause additional errors due to varying standards among servicers. 3. This option would require more ED staff to monitor the performance of the outside collection agencies.

Payment Processing Sub-processing

Failure Scenario

Payments are not applied to borrower's account.

DCS fails to receive and post payments. Payments must be deposited and credited timely against the borrower's account. A failure of the Payment Processing process would affect the borrower's balance by accruing inaccurate interest and reflect incorrect loan balances.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

Payments are normally posted within 24 hours.   In unusual circumstances, payments that are not posted within 24 hours would be backdated to the date the payment was received.

Emergency Performance Level

The emergency performance level for a failure of the payment process is to post payment to the borrower's account within 2 days.

Performance Level Comparison - Payments

Normal Performance Level	**Emergency Performance Level**
24 hours	2 days

Risk Mitigation Options

A. **Assure the most current information is available.** To mitigate the risk of DCS' inability to process payments, ED would assure that the most

current information is available prior to 1/1/2000 to assure that all payments that have been received are processed prior to a Y2K failure.

Pros and Cons – Payments

Pros	Cons
1. This would assure that all payments not yet added to the system in a normal cycle would be reflected in the system prior to a failure.	1. This would do nothing to reflect the payments made after a failure.

Contingency Options

A. **Allow outside collection agencies to process payments.** If DCS is unable to process payments, ED would allow outside collection agencies to set up accounts and bill those and current accounts until the DCS failure is over.

Pros and Cons – Payments

Pros	Cons
1. Allows for the full servicing of those accounts to continue.	1. Decentralizing processes may cause additional errors.
	2. Transferring servicing responsibilities can cause additional errors due to varying standards among servicers.
	3. This option would require more ED staff for increased monitoring of the performance of the outside collection agencies.
	4. This contingency requires advanced contractual arrangements prior to a failure.

Failure Scenario

Lockbox system fails.

DCS is unable to process payments because the automated "Lockbox" process fails.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

<u>The normal performance level for receiving payment information from the Lockbox is the same day.</u>

Emergency Performance Level

The emergency performance level for the lockbox process is 2 days.

Performance Level Comparison - Payments

Normal Performance Level	**Emergency Performance Level**
Same day	2 days

Risk Mitigation Options

None.

Contingency Options

A. **Use manual system to enter payment data.** If the "lockbox" data system fails, the "lockbox" contractor would increase its staff and resources to use current manual process to key-in checks.

Pros and Cons – Payments

Pros	Cons
1. Utilizes currently available processes.	1. Manual data entry of all checks would not sustain the sub-process, given the volume of checks that are received. 2. This alternative would not be adequate for an extended period of failure. 3. Manual processes are more prone to error than are automated processes. 4. Additional data entry personnel would be an additional cost.

B. **Use another "lockbox" contractor.** If the "lockbox" data system fails, ED would shift to an alternative lockbox vendor.

Pros and Cons – Payments

Pros	Cons
1. This option would add a process redundancy to this critical business process.	1. This option relies on electronic processes that are subject to Y2K failures. 2. This contingency requires advanced contractual arrangements prior to a failure.

Failure Scenario

U.S. Attorney's Office is unable to send DCS payments.

The U.S. Attorney's office is unable to send DCS payments, therefore, ED is unable to post the payments. Defaulted borrowers are subject to litigation by the U.S. Attorney's Office for non-payment of their student loans. The U.S. Attorney's Office receives payments for DCS and forwards the payment information to DCS to be credited against the borrower's account.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for U.S. Attorney's Office to send DCS payments is daily.

Emergency Performance Level

The emergency performance level for DCS to process U.S. Attorney's payments is 2 days.

Performance Level Comparison – Payments

Normal Performance Level	Emergency Performance Level
Daily	2 days

Risk Mitigation Options

None.

Contingency Options

A. **Use manual reports.** If the U. S. Attorney's Office is unable to send electronic payment information to DCS, the U.S. Attorney's Office would send DCS paper reports. DCS would then manually enter payment information to the system and generate manual reports showing accounts going into paid-in-full status to properly reflect credit status and title IV student aid eligibility.

Pros and Cons – Payments

Pros	Cons
1. Manual process would allow Paid in Full status to be properly reflected on credit and eligibility reports.	1. Manual processes are more prone to errors than automatic processes. 2. This option would require increases in resources and add additional costs.

Account Maintenance Sub-process

Failure Scenario

ED is unable to maintain current information about borrower's account.

If the ability to maintain current information on a borrower fails, current information about activities on that account will not be reflected and activities that affect the status of the loan will not update older information.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for account maintenance is updating the account the same day.

Emergency Performance Level

The emergency performance level for a failure of the payment process is to update the account within 1 day.

Performance Level Comparison – Account Maintenance

Normal Performance Level	Emergency Performance Level
Same Day	1 day

Risk Mitigation Options

A. **Process all backlogs.** To mitigate the risk of failure to maintain a borrower's account, ED would process all backlogs and updates prior 12/31/1999 to assure all accounts are accurate as of 12/31/1999.

Pros and Cons – Account Maintenance

Pros	Cons
1. This would assure that all information that was received about borrowers prior to a failure is reflected on their accounts.	1. This mitigation option would affect relatively few accounts. 2. This would not sustain the business process in a prolonged failure.

Contingency Options

A.   **Use outside collection agencies.** If account maintenance fails, ED would allow outside collection agencies to set up accounts and bill those and current accounts until the DCS failure is over.

Pros and Cons – Account Maintenance

Pros	Cons
1. Allows for the full servicing of those accounts to continue.	1. Decentralizing processes may cause additional errors. 2. Transferring servicing responsibilities can cause additional errors due to varying standards among servicers. 3. This option would require more ED staff to monitor the performance of the outside collection agencies.

Failure Scenario

DCS is unable to produce Administrative Wage Garnishment (AWG) letters.

Account maintenance is not able to support AWG process, therefore, letters to employers could not be mailed or contain incorrect information.

Employed defaulted borrowers who do not make satisfactory payments to ED may have their wages garnished. If DCS finds that a non-paying defaulter is employed, ED would notify the employer that they must garnish wages and forward those funds to DCS.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for ED to produce AWG letters is the same day.

Emergency Performance Level

The emergency performance level for ED to produce AWG letters is 5 days.

Performance Level Comparison – Account Maintenance

Normal Performance Level	**Emergency Performance Level**
24 hours	5 days

Risk Mitigation Options

A.   **Use current manual process.** To mitigate the risk of inability to produce AWG letters, ED would expand the use of the current existing manual process.

Pros and Cons – Account Maintenance

Pros	Cons
1. Utilizes the process currently in place.	1. The manual process may not be able to sustain entire process for an extended period of time.

Contingency Options

A.   **Manually generate reports and submit letters.** If DCS is unable to automatically generate AWG letters, ED would manually generate and submit reports to employer.

Pros and Cons – Account Maintenance

Pros	Cons
1. The process continues with minimal changes.	1. Automated processes such as report generation may not be available during a failure.

Borrower Contact Sub-process

Failure Scenario

DCS is unable to contact or be contacted by the borrowers.

The information critical to making and receiving payments would not be available to the borrower. Further, information about eligibility for federal aid and credit reporting would be incorrect.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

Generally, the calls are answered instantaneously, and letters are handled within 24 hours.

Emergency Performance Level

The emergency performance level for borrower contact is the same day.

Performance Level Comparison – Borrower Contact

Normal Performance Level	Emergency Performance Level
Same Day	Same

Risk Mitigation Options

None.

Contingency Options

A. **Use most current information prior to a failure.** If access to borrower information fails, ED would create a "snapshot" of the database prior to 1/1/2000 and use the information to inform the borrower.

Pros and Cons – Borrower Contact

Pros	Cons
1. The most current borrower address and information would be available to proceed with borrower contact.	1. Depending on the length of failure, information would not remain useful for an extended period of time. 2. There would be no access to new information. 3. It would be difficult to capture new information without an automated process.

B. **Use outside collection agencies.** If borrower contact fails, ED would allow outside collection agencies to set up accounts and bill those and current accounts until the DCS Failure is over.

Pros and Cons – Borrower Contact

Pros	Cons
1. Allows for the full servicing of those accounts to continue.	1. Decentralizing processes may cause additional errors. 2. Transferring servicing responsibilities can cause additional errors due to varying standards among servicers. 3. This option would require more ED staff to monitor the performance of the outside collection agencies.

IRS Tax Refund Offset Sub-process

Failure Scenario

The Treasury is unable to offset defaulter's tax refunds.

The Treasury offsets tax refunds for borrowers who have defaulted. If ED is unable to provide defaulter information to Treasury, Treasury system is unable to accept defaulter information or process the refunded offsets, or a refund offset is not processed, this would result in a taxpayer / defaulted borrower getting a refund when there is a debt owed on a defaulted loan.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for Treasury offset process is daily.

Emergency Performance Level

The emergency performance level for Treasury offsets is 5 days.

Performance Level Comparison – Treasury Offsets

Normal Performance Level	Emergency Performance Level
Daily	5 days

Risk Mitigation Options

None.

Contingency Options

A. **Generate paper reports.** If DCS is unable to provide information to Treasury, ED would generate paper reports and Treasury would manually key-in the information.

Pros and Cons – Treasury Offsets

Pros	Cons
1. Process continues with little change to the present system.	1. This option would not be sustainable for a lengthy period of time to handle the current volume. 2. This option would require additional staff for ED and Treasury. 3. Manual processes are more prone to errors than automatic processes. 4. This option would require advanced preparation to produce reports, which would add additional time and cost to the process.

Outside Collection Agencies (OCA) Sub-process

Failure Scenario

DCS is unable to place and receive information about accounts with OCAs.

DCS is unable to place accounts with outside collection agencies (OCA) and receive information about accounts that were placed with an OCA.

Time Horizon to Failure

The failure could occur as early as January 3, 2000.

Normal Performance Level

The normal performance level for placing accounts with an OCA is daily.

Emergency Performance Level

The emergency performance level for OCA processing is 5 days.

Performance Level Comparison – Outside Collection Agencies

Normal Performance Level	**Emergency Performance Level**
Daily	5 days

Risk Mitigation Options

A. **Report the most current information prior to 1/1/2000.** To mitigate the risk of failure to place accounts with OCA, OCAs would report the most current information to DCA prior to 1/1/2000 to assure the most current information is available.

Pros and Cons – Outside Collection Agencies

Pros	**Cons**
1. The latest accounts will be available from a period prior to the failure.	1. This will not sustain the OCA process for an extended period of time.

Contingency Options

A. **Use other outside collection agencies.** If DCS is unable to place accounts with OCA, ED would place accounts with other existing outside collection agencies contractors.

Pros and Cons – Outside Collection Agencies

Pros	**Cons**
1. This option is an existing process to place accounts with OCAs.	1. This option would require increases in resources and add additional costs.
	2. Manual processes are more prone to errors than automatic processes.

INSTITUTIONAL ELIGIBILITY AND CERTIFICATION

EXECUTIVE SUMMARY

The Institutional Eligibility and Certification process supports ED's determination that schools are certified to participate in the title IV programs and that these programs are properly administered by schools. This is generally a manual process that begins when schools submit paper documents to ED. This process is managed and supported by ED information systems that may be affected by a Y2K date related failure.

In the event of a Y2K related failure, ED will use manual processes to certify school eligibility. Information normally obtained from various ED information systems will be obtained by telephone inquiry, by fax or by cc: Mail message or by diskettes. Similarly, updates to key ED systems can be performed manually or held for later input when information systems come back online.

NOTE: The Department of Education has not made decisions about specific business process continuity/contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

Under this process, ED determines whether a school can begin or continue to participate in the title IV programs. ED's determination is based upon information provided by the school in an application to participate in title IV programs and by evaluations of financial statements and compliance audits submitted annually by schools.

BUSINESS PROCESS GOAL

The goal of this process is to ensure that participating schools have the authority to operate in the state, are accredited, and administer the programs properly. ED overseas the conduct of schools participating in the program by reviewing application data, audited financial statement, and compliance audits and by conducting program reviews.

BUSINESS PROCESS DESCRIPTION

Recertification Process

Schools that currently participate in the title IV programs must be re-certified every 4 years (soon to be 6 years under the amended Higher Education Act).

1. A school undergoing recertification must prepare and submit a complete electronic application. A complete application includes information about the school, audited financial statements, compliance audits, and documentation showing that they are accredited and can operate in the state.

2. The Document Receipt and Control Center (DRCC) receives and reviews the applications and supporting documentation for completeness, then records and forwards complete application packages to the regional case management teams.

3. Case management teams perform a comprehensive review of application packages to determine whether schools are in violation of default provisions, have unresolved program review or compliance audit findings, have been debarred, or have unpaid liabilities. The teams also review schools audited financial statements to determine if regulations are met. If case teams determine the schools meet regulatory and statutory requirements, new PPAs are created and schools' participations are extended.

4. Case management teams inform schools, guarantors, and accrediting agencies of their decisions and provide updates to the Postsecondary Education Participant System (PEPS), Case Management Information System (CMIS), and Education Central Automated Processing System (EDCAPS).

Initial certification and changes of ownership process

The eligibility and certification process for schools seeking to participate in the programs for the first time or for schools that change ownership is the same as the process described for schools undergoing recertification, except that initial and change of ownership applications are processed centrally.

Schools may be required to submit an application for the purposes of updating or amending current information, reporting a change in program offerings or in school status, changing its name or address, or adding additional locations.

In addition, participating schools must submit annual audited financial statements and compliance audits.

Business Impact Analysis

Failure Scenarios

ED cannot process applications received from schools.

The Document Receipt and Control Center (DRCC) utilizes a combination of commercial off the shelf software and custom applications to record, process, and track documents submitted by schools in support of federal requirements. A failure in any of these systems may delay the processing of applications. The case management review process is supported by a variety of ED information systems including PEPS, CMIS, and cc: Mail as well as several commercial off the shelf applications. A failure in any of these systems could result in delays in ED completing its review of applications.

Time Horizon to Failure

The earliest possible occurrence of a Y2K failure is today. Institutions recently completing and currently undergoing re-certification have executed Program Participation Agreements with expiration dates into the year 2003. This information has been entered into and has been accepted by PEPS.

Normal Performance Levels

The institutional eligibility and certification process and other related processes currently take approximately 30 business days to complete from receipt of all required information until ED sends a notification to the school.

Emergency Performance Levels

The institutional eligibility and certification process and other related processes may take as long as 60 business days to complete.

Performance Level Comparison-Institutional Eligibility and Certification

Normal Performance Level	Emergency Performance Level
30 business days from receipt of all required information until ED sends a notification to the school.	60 business days from receipt of all required information until ED sends a notification to the school.

Risk Mitigation Options

A. **Submit Applications Early**
To mitigate the potential for an interruption in Title IV funding, schools considering a change in ownership or control, an additional location, or an additional program should submit an application to ED prior to November 1, 1999, or delay the action until after the Y2K date change event. Any time a school undergoes a change in ownership, ED stops funding to the school thus undergoing a lengthy review by the Department.

Pros and Cons-Institutional Eligibility and Certification

Pros	Cons
1. Schools may avoid the risk of incurring a significant interruption in Title IV HEA funding.	1. Scheduling these events to avoid the Y2K related information systems failures may conflict with the business objectives of the affected schools.

B. **Create documentation to support manual processes**
To mitigate the potential for an interruption in Title IV funding, ED could create print outs of critical information on participating institutions and back ups of critical data in a portable machine-readable format prior to the Y2K date change event so that manual processes could be supported.

Pros and Cons-Institutional Eligibility and Certification

Pros	Cons
1. Information to support manual process would be available in the event of total system failure and certification of eligibility would not be interrupted.	1. Additional costs would be incurred associated with preparation, printing, storage, labor, and backup media. 2. Investment would be required prior to the existence of a known Y2K related failure.

C. **Suspend activity on the PEPS electronic application**
To mitigate the potential for an interruption in Title IV funding, notify schools in November 1999 that on January 1, 2000, schools should suspend activity on the PEPS electronic application web-site until PEPS notifies them that they may begin to use the electronic application web-site.

Pros and Cons-Institutional Eligibility and Certification

Pros	Cons
1. Eliminate the potential possibility of a failure by testing the system after 1/1/2000.	1. Slight delays in the recertification process.

Contingency Options

While the majority of processes associated with Institutional Eligibility and Certification are supported and managed by information systems, these processes are fundamentally manual processes. The materials needed to complete this process are largely physical documents submitted by schools. Information contained in the various IS systems, for the most part, exists in physical form within the ED office that has responsibility for that data. For example, ED physically receives compliance audits, program reviews are conducted by ED personnel in regional offices and are recorded in school files, and ED finance maintains information regarding the existence of unpaid liabilities.

A. **Manual Contingencies.** In the event of a Y2K date change related failure, case management teams could revert to manual contingencies to complete this process. Information normally obtained from various ED information systems will be obtained by telephone inquiry, by fax or by cc: Mail message or by diskettes. Similarly, updates to key ED systems can be made manually.

Pros and Cons-Institutional Eligibility and Certification

Pros	Cons
1. Many of these processes are currently manual. The necessary resources-- in terms of staffing and facilities -- already exists and procedures for manual processing have already been developed. 2. Institutions that are currently participating in the Title IV programs can be placed on a month-to-month program participation agreement until processing can be completed. A delay would not adversely impact school's ability to access Title IV funds.	1. Manual processing will add time to the process. 2. Schools not already participating would be impacted by the delay caused by manual processing. 3. There could be an increased potential for misplaced files and documents.

B. **Suspend the use of electronic applications.** In the event that a Y2K date change event impacts ED's ability to receive and process electronic applications, ED could suspend the use of the electronic application and accept paper versions until the system returns to full functionality.

Pros and Cons-Institutional Eligibility and Certification

Pros	Cons

1. Many of these processes are currently manual. The necessary resources-- in terms of staffing and facilities -- already exists and procedures for manual processing have already been developed. 2. Institutions can readily prepare a paper application that can be faxed or mailed to ED.	1. Manual processing will add time to the process. 2. There could be an increased potential for misplaced files and documents.

CUSTOMER SERVICE AND COMMUNICATION – FEDERAL STUDENT AID INFORMATION CENTER (FSAIC)

EXECUTIVE SUMMARY

Students, parents, schools and many others rely on the FSAIC for information about student aid applications, the status of those applications, and assistance in making corrections. A failure of phone communications would put many students and families at a disadvantage in completing their financial aid applications.

In a failure of the phone systems, school financial assistance professionals would be called upon, more than ever before, to be the conduit of information for students and families. If the web site that ED uses to inform these professionals fails, other forms of communications would be used to keep them abreast of issues. These are such things as fax broadcasts, fax on demand, email and listservs.

NOTE: The Department of Education has not made decisions about specific business process continuity / contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

The Office of Student Financial Assistance Programs provides information and other customer support services to over 10 million students and their families, over 20,000 schools, lenders and guarantors, and to numerous other customers and partners.

BUSINESS PROCESS GOAL

To ensure that OSFAP customers and partners receive timely and adequate information to enable them to participate in the application and disbursement processes for federal student aid.

BUSINESS PROCESS DESCRIPTION

As described below, OSFAP employs a variety of media to provide information and assistance to students, schools, and other aid participants. These range from toll free numbers for the public to specialized web sites for financial aid

professionals. In addition, OSFAP disseminates information through various correspondence and automated fax mechanisms.

1. OSFAP maintains several toll-free call centers serving the public inquiring about the status of aid applications.

2. OSFAP maintains general and specific web sites that address Frequently Asked Questions (FAQ's) as well as provide guidance and information about how to file applications and process information for the title IV programs.

3. Several professional listservs of financial aid professionals are currently available to send current and breaking news concerning the aid programs. OSFAP also has plans to establish its own Systems Support listserv, which is expected to be available later in 1999.

4. OSFAP maintains a fax-on-demand process that would allow financial aid professionals using request codes to obtain a faxed listing of short to mid-size documents. The aid administrator uses a touch tone phone and the request codes to obtain needed documents.

5. OSFAP maintains fax broadcast equipment capable of sending faxes overnight to an extensive list of financial aid professionals about breaking news and current information.

6. OSFAP maintains an extensive address file than it uses to send notices, letters, and manuals to schools.

BUSINESS IMPACT ANALYSIS

Information Dissemination Sub-process

Failure Scenario

> **OSFAP is unable to disseminate information to financial aid community through phones.**
>
> OSFAP communications with schools and other participants are impaired due to phone failures. A phone failure would have greatest effect on the student/applicant population, who use the toll-free line at the Federal Student Aid Information Center as a source of information and assistance in the application process. Students receive similar assistance from financial aid offices, which may continue to have Web access and receive Institutional Student Information Records with student application information.

Time horizon to Failure

Failure could occur as early as January 1, 2000.

Normal Performance Levels

Information Dissemination:
Input to the Federal Student Aid Information Center (FSAIC) from partners:

Systems	*Normal Performance Levels*
CPS (Direct Access)	Daily
NSLDS (Direct Access)	Daily
DCS	Daily
PEPS	Weekly

Outputs from the Federal Student Aid Information Center (FSAIC) to public:

Output Methods	Normal Performance Levels
Phone -	90% of incoming calls are answered 45 second average call wait time (10 seconds off-peak)
Web Site	24 hours
FAX - Broadcast FAX on Demand	5000 pages per 12 hour period 3 re-tries
Letters/Correspondence	15 days
Printed Material	1 week for printing notices/letters 4-6 weeks for printing manuals 1-2 weeks for mail delivery
E-mail (response to individual inquiry)	1-3 days
Listserv posting or E-mail broadcast	2-3 hours

Emergency Performance Levels

Assuming that substitute communication channels are available, these are time frames for recovery of the system without switching to an alternate channel. For instance, if the toll-free line for the Customer Support Branch ceased to function but the Web site were available, it would only be advisable to switch to paper mailings if the phones were expected to be unavailable for more than 2-3 weeks.

Phones — Students	10 day startup delay
Phone — Financial Aid Administrators	2-3 week startup delay

Performance Levels Comparison - Information Dissemination

Normal Performance Level	Emergency Performance Levels
90% of incoming calls are answered 45 second average call wait time	Students - 10 day startup delay

(10 seconds off-peak)	
90% of incoming calls are answered 45 second average call wait time (10 seconds off-peak)	Financial Aid Administrators - 10 day startup delay

Risk Mitigation Options

None.

Contingency Options

A. **Use schools as a communication channel.** If ED cannot disseminate information to the public through normal methods of communication, ED would inform high schools and postsecondary schools of the outages and provide schools with information on how to assist students. ED would need to determine the extent of the outages and switch to alternate methods of communications.

Pros and Cons – School as a communication channel

Pros	Cons
1. School counselors would be able to provide information that students would otherwise receive from the Federal Student Aid Information Center.	1. Students who have not yet selected a postsecondary school may not be able to obtain assistance with their specific application data.

B. **Use other communication methods.** If ED cannot disseminate information to the public through normal methods of communication, ED would ensure that other avenues for public communication, such as fax lines, postage meters, etc., are adequately sized.

Pros and Cons – Other communication methods

Pros	Cons
1. Would enable communications with high schools and postsecondary schools to continue.	1. Students who have not yet selected a postsecondary school may not be able to obtain assistance with their specific application data.

C. **Provide mailing labels for schools.** If ED cannot disseminate information to the public through normal methods of communication, ED would print out several hard copies of mailing labels for high schools and colleges prior to 1/1/2000, and retain for use in the case of total or sporadic electronic outages.

Pros and Cons – Mailing labels for schools

Pros	Cons
1. This will enable communications to continue with the schools.	1. Students who have not yet selected a postsecondary school may not be able to obtain assistance with their

	specific application data.

Failure Scenarios

ED/OSFAP is unable to disseminate Information through the World Wide Web (WWW).

In general, ED should ensure that other avenues for public communication are adequately sized. A Web site failure would critically affect the delivery of textual information to financial aid professionals, but would have significantly less effect on the student population.

Time horizon to Failure

Failure could occur as early as January 1, 2000.

Normal Performance Levels

Information Dissemination:
Input to the Federal Student Aid Information Center (FSAIC) from partners:

Systems	*Service Levels*
CPS (Direct Access)	Daily
NSLDS (Direct Access)	Daily
DCS	Daily
PEPS	Weekly

Outputs from the Federal Student Aid Information Center (FSAIC) to public:

Output Methods	**Service Levels**
Web Site	24 hours

Emergency Performance Levels

Assuming that substitute communication channels are available, these are time frames for recovery of the system without switching to an alternate channel. The emergency performance level for FSAIC to disseminate information through the World Wide Web is 1 week.

Web Sites	1 week startup delay

Performance Levels Comparison - Information Dissemination

Normal Performance Level	**Emergency Performance Levels**
24 hours	1 week startup delay

Risk Mitigation Options

A. **Add additional servers.** To mitigate the risk of ED/OSFAP's inability to disseminate Information through the World Wide Web (WWW), ED would ensure that there is redundancy in case of a server failure and move the IFAP Web site to an alternate server or assure there are commercial alternatives to ED servers.

Pros and Cons – Add additional servers

Pros	Cons
1. Will maintain the ability to disseminate materials overnight to the financial aid community through the IFAP Web site.	1. Relies on availability of Internet and communications in order to be a viable alternative. 2. It would be expensive to completely replicate current hardware, and there will be no assurance that the backup server will not have the same unanticipated Y2K failure.

Contingency Options

A. **Use listservs to inform financial aid administrators.** If ED/OSFAP is unable to disseminate Information through the World Wide Web (WWW), ED could maintain a secure copy of the e-mail addresses for financial aid administrators and use existing listservs to inform financial aid administrators of the failure.

Pros and Cons – Use listservs to inform financial aid administrators

Pros	Cons
1. Able to rapidly deliver the same notices and brief letters that are currently posted on the web site.	1. Difficult to deliver the large documents and manuals that are usually posted to the Web as PDF files. 2. Relies on the availability of the Internet and communications in order to be a viable alternative.

B. **Use faxes to disseminate information.** If ED/OSFAP is unable to disseminate Information through the World Wide Web (WWW), ED could use fax on demand for more complex answers to issues or could use fax broadcast to inform FAA's of impending or rapidly changing processes on an overnight basis.

Pros and Cons – Use fax to disseminate information

Pros	Cons

1. Able to deliver the same notices and brief letters that are currently posted on the web site. Requires less hardware capacity, because user determines which documents his/her school needs. 2. Able to deliver the same notices and brief letters that are currently posted on the web site. Documents automatically delivered to all users.	1. User must call system periodically and select desired documents. 2. Inefficient because material may be delivered to many offices that do not need the information. 3. Difficult to deliver large documents and manuals through fax broadcast because of the time required faxing multiple pages to multiple offices.

C. **Use U.S. Postal Service to inform financial aid professionals**. If ED/OSFAP is unable to disseminate information through the World Wide Web (WWW), ED could conduct a mailing to financial aid professionals using labels produced and stored prior to 1/1/2000 if other avenues are not available.

Pros and Cons – Use U.S. Postal Service to inform financial aid professionals

Pros	Cons
1. Able to deliver the same type of the information that was posted on the web site, including large documents and manuals.	1. Requires additional lead-time for printing and mailing. 2. This adds paper, printing and mailing costs to the FSAIC effort.

CUSTOMER SERVICE AND COMMUNICATION - TIVWAN ENROLLMENT SERVICES

EXECUTIVE SUMMARY

The loss of Title IV Wide Area Network (TIVWAN) services would seriously hinder the electronic exchange of data between ED and the financial aid community.

TIVWAN's Participation Management System tracks and communicates participants' eligibility to use TIVWAN services. In order to protect the ability of eligible participants to use the TIVWAN, the participation management system in TIVWAN must be sustained in the event of a Y2K failure.

NOTE: The Department of Education has not made decisions about specific business process continuity / contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

The title IV Wide Area Network (TIVWAN) is the conduit for almost all data exchanges between ED and its numerous delivery partners, including over 13,000 schools, lenders and guarantors, and to numerous other participants in the title IV programs.

BUSINESS PROCESS GOAL

To ensure that participating schools have access to ED's electronic systems for sharing application data and payment information.

Business Process Description

TIVWAN is the communications channel for most of the electronic data exchanges between internal ED systems and the systems of aid delivery partners.

TIVWAN allows schools to participate in information exchanges between various ED program offices. Under this participation management process, schools, guarantors, third-party servicers, and State agencies establish and maintain access to TIVWAN services. In addition, ED bills parties for TIVWAN usage, and denies access to ineligible schools and other parties.

Business Impact Analysis

TIVWAN Participation Management Sub-process

Failure Scenario

TIVWAN is unable to perform participation management functions.

The TIWAN participation management system fails, or school and other parties systems fail, preventing parties from transmitting and receiving data about the title IV programs. Without this transfer of data, schools may not be able to:
- Receive Institutional Student Information Reports (ISIR)
- Make electronic corrections
- Transmit Student Status Confirmation Reports (SSCR)
- Send title IV program student origination and disbursement records.

Time Horizon to Failure

Failure could occur as early as January 1, 2000.

Normal Performance Levels

The participation management system is updated daily and bills are generated monthly.

Emergency Performance Levels

The emergency performance levels for TIVWAN Participation Management are as follows:

Billing	1 month
TIVWAN Customer service	10 days
Participation Management	3 days
Reimbursement checks to ED	1 month
Invoices to schools	1 month +

Performance Levels Comparison - Information Dissemination

Normal Performance Level	Emergency Performance Levels
TIVWAN Customer service – Daily	TIVWAN Customer service – 10 days
Billing – 1 month	Billing – 1 month

Risk Mitigation Options

A. **Encourage TIVWAN users to test their systems.** To mitigate the risk of Participation Management failures, ED would encourage all TIVWAN users to test their systems with ED during the summer of 1999 and complete all feasible processing prior to 1/1/2000 to assure that this processing is not subject to a Y2K failure.

Pros and Cons – Participation Management

Pros	Cons
1. Alerts schools and other parties of potential problems. 2. Will not require system changes in order to implement.	1. This mitigation will only forestall Y2K issues if a failure continues – no additional transmissions will occur without implementation of a contingency option.

Contingency Options

A. **Use compiled list of participants.** If the participation management system fails, all affected ED systems could use a list of all valid participants compiled prior to 1/1/2000.

Pros and Cons – Participation Management

Pros	Cons
1. Will allow the process of participation in TIVWAN to continue.	1. Will not reflect the status of institutions that have had their status change.

B. **Manually add new participants.** If the program participation management system fails and ED maintains a valid backup copy of all participants in its participation management system and all affected ED title IV systems, new eligible participants will be added manually until after the failure.

Pros and Cons – Participation Management

Pros	Cons
1. Will allow the process of participation in TIVWAN to continue.	1. Manual processes are more prone to error than are automated processes.

C. **Assure adequate capacity exists.** If normal TIVWAN Customer Service communications fail, ED would assure that adequate capacity exists to handle customer services inquiries if normal TIVWAN Customer Service communications fail.

Pros and Cons – Participation Management

Pros	Cons
1. Will allow for alternative methods of communications if one method fails.	1. Not all methods are as effective as others. In many cases participants may not be aware of other methods

	that they do not commonly use in order to contact TIVWAN Customer Service.

FFELP ORIGINATION, DISBURSEMENT, REPAYMENT, AND COLLECTION

EXECUTIVE SUMMARY

Access to higher education may be significantly disrupted if the nation's students and families are unable to continue to rely on FFELP. While there are no ED systems required to make and service FFELP loans to student and parent borrowers, ED is responsible, along with lenders and guarantors, to provide risk mitigation and contingency options to minimize disruptions in the event of Y2K failures.

Strategies to ease the impact or continue processing in the event of failures include the use of blanket guarantee certifications, the use of other guarantors or lenders, or Lender of Last Resort Programs.

NOTE: The Department of Education has not made decisions about specific business process continuity/contingency plans. Preliminary plans are identified herein for discussion purposes only.

BACKGROUND

The Federal Family Education Loan Program (FFELP) disbursed in excess of $20.4 billion in new loans to student and parent borrowers in federal fiscal 1998. Currently, lenders (and their servicers) service a cumulative outstanding loan portfolio of about $110 billion. Guarantors currently service a cumulative outstanding defaulted loan portfolio of about $15 billion.

BUSINESS PROCESS GOAL

ED's primary goal in this area is to ensure that student and parent borrowers have continued access to FFELP loans. ED is also interested in ensuring that FFELP loan servicing, including the ability of borrowers to make payments as scheduled, is not interrupted. In order to protect taxpayer and borrower interests, it is also critical that guarantor functions, including maintenance of borrower records and collection efforts on defaulted borrower accounts are not interrupted.

BUSINESS PROCESS DESCRIPTION

The making and servicing of FFELP loans consists of four sub-processes:

A. Origination
B. Disbursement

C. Lender Repayment Servicing
D. Guarantor Default Collection

Once a school has determined a student's overall financial aid eligibility (See Student Aid Application and Eligibility Determination), the school determines whether the student has applied for, and is eligible for, a FFELP loan. The school certifies the borrower's eligibility and sends a certified loan application (electronically in most cases) to a guarantor for approval. The guarantor processes the application through automated edits and either approves or denies the application. The guarantor transmits the results to the school and to the lender designated by the borrower in the application.

The lender obtains a signed promissory note from the borrower, and in the case of a PLUS Loan, performs a credit check for borrower adverse credit history. On an approved loan, the lender sends loan funds to the school on disbursement dates established by the school. The lender may send funds by check or by Electronic Funds Transfer (EFT).

After the borrower has left school (See Enrollment Tracking and Reporting), the lender notifies the borrower of payment due dates and provides instructions for making monthly payments. The lender receives and applies payments from the borrower, maintains an accurate payment history, and calculates principal and interest balances for the borrower's account. If the borrower fails to make payments, the lender performs collection activities prescribed by federal regulation, including asking the guarantor for collection assistance. The borrower's prolonged failure to make payments will result in the lender filing a default claim for reimbursement with the guarantor (See Lender and Guarantor Payments). The lender may also file a claim for one of a number of statutory conditions (death, disability, bankruptcy, closed school, or false certification), that entitle the loan to be discharged, that is, paid in full by ED.

The guarantor reviews the lender's claim to ensure that the borrower's account was serviced according to regulatory requirements and, if so, "purchases" the account from the lender. On a default claim purchased from the lender, the guarantor establishes a collection account and begins its own efforts to recover the defaulted debt. The guarantor may perform collections itself or assign the account to a professional collection agency. In addition to traditional collection strategies, the guarantor tries to obtain repayment through administrative wage garnishment and federal tax refund offsets.

If the guarantor is unsuccessful in recovering the defaulted debt, it may be required to assign the account to ED's Debt Collection Service (See Repayment and Collection).

BUSINESS IMPACT ANALYSIS

Origination Sub-process

Failure Scenarios

> **Failures in school, lender, and guarantor systems may prevent schools from certifying loan applications and lenders and guarantors from approving them.**
>
> Most institutions use software products (mainframe or PC-based) to certify and transmit loan applications to guarantors or lenders. All guarantors and most lenders use automated systems to approve loans. Because of these computer system dependencies, the Origination sub-process is vulnerable to Y2K failures.

Time Horizon to Failure

> Failures could occur as early as spring 1999.

Normal Performance Levels

> In general, the period between the school's transmission of a certified loan application and the time the loan is ready to be disbursed is 24 hours or less.

Emergency Performance Levels

> For purposes of Y2K business continuation planning, an emergency performance level is defined as 30 days from the submission of a certified loan application to the time a loan is ready for disbursement.

Performance Level Comparison-Loan Origination

Normal Performance Level	Emergency Performance Level
24 hours or less	30 days

Risk Mitigation and Contingency Options

> Any of the following strategies could be implemented as either a risk mitigation or contingency option. If the appropriate entity has reason to believe a failure could occur and determines that the risk of occurrence or impact is great, any of the following actions could be implemented as a mitigation option. If the entity determines that a failure has occurred and it determines that systems will not be repaired within the emergency performance level (30 days), it could implement any of the following as a contingency option.

A. **Alternative School Software.** If a school is aware that its current software is not Y2K-compliant, and this would prevent it from systematically certifying loan applications, it could use an alternative software product or manually certify loan applications.

Pros and Cons-Loan Origination

Pros	Cons
1. Applications would continue to be certified. 2. Origination services would continue to be available to students	1. Implementing and training to use alternative software would be costly and time-consuming. 2. Switching to manual loan certifications for institutions that are highly automated could increase costs and create processing delays.

B. **Blanket Guarantee Certificates.** A guarantor that cannot guarantee individual loans could issue "blanket guarantee" certificates to lenders. or could instruct schools to direct loan applications to another guarantor to obtain such a guarantee.

Pros and Cons-Loan Origination

Pros	Cons
1. Blanket guarantees for all loan types are now permitted by statute and are being implemented by some guarantors.	

C. **Another Guarantor.** A guarantor that cannot guarantee loans could instruct schools to direct their loan applications to another guarantor.

Pros and Cons-Loan Origination

Pros	Cons
1. Alternative guarantors could provide quick approvals.	1. Borrowers would have multiple guarantors with which to maintain communication.

D. **Add to Preferred Lender List.** If a lender cannot approve loans, a school could encourage borrowers to select another lender, and the school could update its "preferred lenders list" to include only those lenders that have demonstrated an ability to approve loans.

Pros and Cons-Loan Origination

Pros	Cons
1. Loans would continue to be approved. 2. Schools currently make recommendations to borrowers on lender selection. 3. Redirecting certified loans to another lender can be accomplished quickly without disrupting levels of service to borrowers.	1. Borrowers currently select the lenders of their choice. Borrowers would need to re-select lenders with guidance from the institution. 2. Borrowers may have their loans serviced by multiple lenders. This might create confusion and increase the chance of "technical default." 3. Schools would have to expend time and effort to revise their preferred lender lists.

E. **Lines of Credit.** To mitigate guarantor or lender approval failures, a school could arrange lines of credit or institutional loans to students or defer tuition billing.

Pros and Cons-Loan Origination

Pros	Cons
1. Students would continue to be able to attend school. 2. Some schools currently offer students short-term loans and defer tuition bills in cases of financial aid delays and could implement this option without creating new processes.	1. Deferring tuition revenues and making institutional loans could create serious cash-flow problems for some schools.

Disbursement Sub-process

Failure Scenarios

Lenders are not able to disburse funds to schools and schools are not able to deliver funds to students.

Lenders rely on automated systems to identify when disbursements are to be made, to deduct borrower origination and insurance fees, to create check registers and disbursement rosters, and to electronically transfer funds. These system dependencies make lenders' disbursement of funds to school vulnerable to Y2K failures.

Schools' business offices rely on accounting software (mainframe or PC-based) to direct disbursements to students' accounts and to deliver unused proceeds to students. This system dependence makes schools' disbursement of funds to student vulnerable to Y2K failures.

Time Horizon to Failure

Failures could occur as early as the fall of 1999. More likely, failure would occur with second semester disbursements after January 3, 2000.

Normal Performance Levels

The period between a lender's receipt of a certified application until first disbursement can be as short as 24 hours.

Emergency Performance Levels

An emergency performance level is 30 days for the lender to disburse funds and the school to credit a student's account and/or deliver loan proceeds.

Performance Level Comparison-Loan Disbursement

Normal Performance Level	Emergency Performance Level
24 hours	30 days

Risk Mitigation Options

A. **Fall 1999 Disbursements.** To mitigate a lender's failure to disburse funds due to Y2K failures, a school could schedule disbursements for the spring term of 2000 in the fall of 1999. This could be accomplished by:

- Certifying, where applicable, annual maximum loan amounts during the Fall 1999 term.

- Scheduling all disbursements for December 1999 whenever any disbursement would normally be scheduled after January 3, 2000 (liability waiver required).

- Crediting students' accounts earlier than currently allowed (liability waiver required).

Pros and Cons-Loan Disbursement

Pros	Cons
1. Student and parents would continue to receive funds.	1. This option would require regulatory or liability waivers in some cases.

B. **Add to Preferred Lender List.** To mitigate the risk of some lenders not being able to disburse loans, a school could encourage borrowers to select another lender, and the school could update its "preferred lenders list" to include only those lenders that have demonstrated an ability to approve loans.

Pros and Cons-Loan Disbursement

Pros	Cons
1. Loans would continue to be approved. 2. Schools currently make recommendations to borrowers on lender selection. 3. Redirecting certified loans to another lender can be accomplished quickly without disrupting levels of service to borrowers.	1. Borrowers currently select the lenders of their choice. Borrowers would need to re-select lenders with guidance from the institution. 2. Borrowers may have their loans serviced by multiple lenders. This might create confusion and increase the chance of "technical default." 3. Schools would have to expend time and effort to revise their preferred lender lists.

C. **Lines of Credit**. To mitigate the risk of lenders not being able to disburse loans, a school could arrange for a line of credit to make institutional loans to students or defer tuition billing.

Pros and Cons-Loan Disbursement

Pros	Cons
1. Students would continue to be able to attend school. 2. Some schools currently offer students short-term loans and defer tuition bills in cases of financial aid delays and could implement this option without creating new processes.	1. Deferring tuition revenues and making institutional loans could create serious cash-flow problems for some schools.

D. **Alternative Disbursement Servicers.** Lenders who use disbursement servicers that experience failures could direct business to different servicers.

Pros and Cons-Loan Disbursement

Pros	Cons
1. Disbursement services are maintained.	1. Switching to a new disbursement servicer may be costly and difficult to implement quickly.

Contingency Options

A. **Alternative Lenders.** If a lender selected by the borrower is unable to disburse loans, the school could recommend that the borrower select another lender that has proved its continued ability to disburse.

Pros and Cons-Loan Disbursement

Pros	Cons
1. There are a sufficient number of lenders or disbursement agents in the FFELP to assure access to loan disbursement services. 2. It is unlikely that disbursement services would be disrupted.	1. Borrowers must select the lender of their choice. If borrowers have already selected a lender that is unable to provide disbursement services, borrowers would need to reselect a lender with guidance from the institution. 2. Borrowers could have multiple payments to remit to multiple lenders.

B. **Lines of Credit.** If lenders are unable to disburse loans, a school could arrange for a line of credit to make institutional loans to students or defer tuition billing.

Pros and Cons-Loan Disbursement

Pros	Cons
1. Students would continue to be able to attend school. 2. Some schools currently offer students short-term loans and defer tuition bills in cases of financial aid delays and could implement this option without creating new processes.	1. Deferring tuition revenues and making institutional loans could create serious cash-flow problems for some schools.

C. **Lenders of Last Resort.** In case of a widespread failure among lenders to disburse loans, guarantors and lenders could serve as Lenders of Last Resort (LLRs).

Pros and Cons-Loan Disbursement

Pros	Cons
1. Loans would continue to be disbursed. 2. This is a statutory provision and its feasibility has been demonstrated.	1. The time required to implement an LLR program might create delays in disbursing funds. 2. It is difficult to estimate the size of the commitment that guarantors and lenders would have to make.

Lender Repayment and Collection Sub-process

Failure Scenarios

Lenders' servicing systems fail to support one or more critical servicing functions. Such failures could result in the following impacts on borrowers:

- Accounts not placed in repayment status.
- Borrowers not billed.
- Deferments and forbearances not processed.
- Payments not credited.
- Interest accruals not calculated accurately.
- Collection due diligence on delinquent loans not performed.
- Defaulted accounts not claimed to guarantors.
- Inaccurate or absent credit bureau reporting.

Time Horizon to Failure

Failures could occur as early as January 3, 2000.

Normal Performance Levels/Emergency Performance Levels

Normal performance levels for FFELP repayment and collection sub-processes are not currently available. ED is interested in obtaining more information from the FFELP community about normal and appropriate emergency performance levels.

Performance Level Comparison-Lender Repayment and Collection

Normal Performance Level	Emergency Performance Level
Not available	Not available

Risk Mitigation Options

A. **Back-up Information.** To mitigate failures in lenders' servicing systems, encourage lenders to retain and archive borrowers' December 31, 1999 servicing and payment histories to allow continued servicing with recent information in the event of a January 3, 2000 servicing system failure.

Pros and Cons-Lender Repayment and Collection

Pros	Cons
1. Provides continued servicing capability until failure is corrected.	

B. **Alternative Servicers.** To mitigate failures in third party servicing systems, lenders who use servicers could make alternative servicing arrangements.

Pros and Cons-Lender Repayment and Collection

Pros	Cons
1. Service to borrowers is maintained.	1. Changes in repayment servicing are costly and difficult to implement quickly.

Contingency Options

A. **Case-by-Case Liability Waivers.** Due to the variety of potential failures, ED may use case-by-case liability waivers based on the kind of failure and impact on borrowers.

Pros and Cons-Lender Repayment and Collection

Pros	Cons

B. **Alternative Servicers.** To mitigate failures in third party servicing systems, lenders who use servicers could make alternative servicing arrangements.

Pros and Cons-Lender Repayment and Collection

Pros	Cons
1. Service to borrowers is maintained.	1. Changes in repayment servicing are costly and difficult to implement quickly.

<u>Guarantor Default Collection Sub-process</u>

Failure Scenarios

Guarantors' servicing systems fail to support one or more critical collection and recovery functions. Such failures could result in the following impacts to borrowers:

▪ Newly defaulted accounts not recognized.

- Accounts not placed in correct repayment status.
- Borrowers not billed for payments.
- Payments not credited.
- Interest accruals not accurately calculated.
- Collection due diligence on loans not performed.
- Loans not assigned to ED.
- Loans not placed with third-party collection agencies.
- Borrower access to "Rehabilitation" delayed or denied.
- Inaccurate or absent credit bureau reporting.

Time Horizon to Failure

Failures could occur as early as January 3, 2000.

Normal Performance Levels

Normal performance levels for the guarantor default collection sub-process are not currently available. ED is interested in obtaining more information from the FFELP community about normal and appropriate emergency performance levels.

Emergency Performance Levels

A suggested emergency performance level is 90 days from a guarantor's payment of a default claim to its commencement of collection activity on the account. The 90-day maximum also applies to gaps between collection activities on existing default collection accounts.

Performance Level Comparison-Guarantor Default Collection

Normal Performance Level	Emergency Performance Level
Not available	90 days

Risk Mitigation and Contingency Options

ED will review guaranty agencies' Y2K compliance in March 1999. Assessments will be made and the following risk mitigation options may be exercised:

- Transfer loan portfolios or some servicing responsibilities to another guarantor.
- Require assignment of defaulted accounts to ED.
- Increase third-party collection agency placements.
- Require guarantors to retain and archive borrowers' December 31, 1999 servicing and payment histories to allow continued servicing with recent information in the event of a January 3, 2000 servicing system failure.

- ▪ Require alternative servicing system software.

Pros and Cons-Guarantor Default Collection

Pros	Cons
1. Assignment of loans to ED is already a requirement of guarantors.	1. Transferring some or all services to another guaranty agency could be costly and time-consuming.
2. Guarantors already place accounts with third-party collection agencies.	2. Converting to new servicing software is costly and difficult to implement quickly.
3. Requiring archived data on December 31, 1999 may already be a planned risk mitigation option by many FFELP participants.	3. Several of the options could be politically controversial.